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INVEST
GROW

With your guide to

SmartSavings
made easy

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ZERO is the scariest number

4 out of every four people do not know exactly how long they are going to live—that makes ZERO people who know how much money they'll need to keep living well! Do you know how long you'll be around and how much money you'll need? Will you be able to handle a sudden big medical bill if you need to? What if your child is in a rut and needs your help, financially—will you be able to help them? Can you even afford to send your child to a good university? Have you bothered to secure your financial future? Did you know that your financial security isn't only for you, but for your loved ones too?

If you answered negatively to the above questions, and you haven't saved enough, it's time to hit the panic button and make some dramatic changes. You don't know how long you'll be around, but one thing is undisputable: while you are around, you want to have the best possible life that you can—for yourself and your loved ones. You need a plan to make that happen, and you need it now.

You work for money... Isn't it time your money worked for you?

We've all heard the old adage that "money doesn't grow on trees". That's true, but if you know how to make your money work for you, you can grow your money by saving and investing regularly. Securing your future is one of the most important things you'll do in life—for your sake, and your family's. All you need to know is a few basics about saving and investing. Every successful investor starts with just that, and every little bit of saving can add up to much more over time—you don't need to be rich to grow your money! Knowing how, and starting early, will help you pay for your financial goals and help you sail through life on smoother tides.

How to start

Before you begin investing, you need to first learn the art of saving, and that starts with proper financial planning. Think of financial planning as a road map for the different goals that you wish to achieve in your life. No matter what stage of life you are currently in, a financial plan can help you get to the next stage with ease. With proper financial planning, you can be confident that your savings will grow and help you achieve your goals. It's much easier than you might think! All you need to do is follow a few simple steps.

Step One: Make a Plan

- Ask yourself what it is that you want to save and invest for. It could be for a car, higher education, your child's education, a comfortable retired life, or even just for a rainy day.
- List your identified financial goals according to priority from highest to lowest.
- Decide how long you have to meet each specific goal—this will translate into your investment horizon, or amount of time that you can keep money invested before having to use it.

Step Two: Build a Budget

- Make a list of your assets, i.e. everything you own, and your liabilities, i.e. everything you owe. Which is more? It's ok if your liabilities are higher—you have to know this to help you save!
- Make a note of your monthly expenses—groceries, petrol, everything you can think of and can predict. Then write out your monthly income alongside the total expenses. Take the difference—that's how much you'll likely be able to save per month. But there are some tips to increase that amount, which takes us to Step 3!

Step Three: Start Saving

- Tip 1: Prioritize saving by putting away a certain amount of money every month before spending. A common mistake we make is spending first and then hoping to save whatever we won't be spending —that usually ends up working against us, leaving nothing to save.

- Tip 2: Cut back on your expenses! It may seem difficult, but when you stop spending on frivolous little things each month, you'll be surprised how much money you save. Ask yourself before each purchase: "Do I really need this?"
- Tip 3: Clip your credit cards after you pay them off—being free of debt will literally free you to save.
- Tip 4: Opt for a systematic investment plan (SIP) in which you choose an amount to be automatically invested each month. That way, you will be forcing yourself to save.

You're halfway there

Congratulations—you now know how to save money! Everyone knows how important it is to save, but then what are you supposed to do with your savings? Do you know what can happen to your savings if you leave it sitting idle in a savings account with a bank? Most likely, you face a tradeoff: surrender the ability to beat inflation in favor of security and immediate access.

So how safe is a savings account really? Say you saved Rs.100 at a time when it could buy a dozen bananas but, years later, when you withdraw that Rs.100 plus the interest earned on it, you can only buy half a dozen bananas. This means you've lost purchasing power. You left all of your money in a savings account and the return it earned couldn't keep up with inflation. You can avoid this by investing a portion of your savings so that it earns more over long periods of time —the longer you can hold your investment, the better, so it's best to start early!

Only you can determine the best investment option to meet your requirements. One such option that gives you the chance to invest in a number of different investment classes is mutual funds. These are ideal solutions if you aren't an expert who can select well-researched equity scrips (stocks) or bonds that have the potential to perform and grow. In that case, you may choose to invest in mutual funds, relying on professional Fund Managers to manage your money for you.

Mutual funds defined

Mutual funds are vehicles that pool money from many investors and invest that money in equities, government and corporate bonds, money market instruments, other asset classes, or a combination of multiple asset classes. The combined holdings a mutual fund owns are known as its portfolio. Each unit of a mutual fund represents an investor's proportionate ownership of the fund's portfolio plus the income the portfolio generates.

The basics of mutual funds

Mutual fund investment portfolios are managed by separate entities, known as "asset management companies", which are registered with the Securities & Exchange Commission of Pakistan (SECP). Each mutual fund has a custodian, called the fund's trustee, which safeguards investors' money.

- Investors purchase mutual fund units from the fund itself, or through a distributor of the fund which is registered with the Mutual Funds Association of Pakistan (MUFAP).
- The price that investors pay for mutual fund units is the fund's per unit net asset value (NAV), which is calculated on a daily basis.
- Units of mutual funds are "redeemable", meaning that investors may sell them back to the fund.

Why choose mutual funds

Mutual funds provide an attractive investment opportunity because they offer a number of benefits.

- **Professional Management** — Professional fund managers make research-backed purchases of securities in the fund, in line with the SECP-approved constitutive documents and the SECP's Rules & Regulations, and under scrutiny by the fund's trustee. The fund managers then monitor the performance of those securities.

- **Diversification** — Mutual funds allow you exposure to a wide range of companies and industry sectors, which can help lower your risk in case a company or sector does not perform well. Simply stated, you won't have to "put all your eggs in one basket". Mutual funds present an easier way to achieve diversification than investing directly in individual stocks or bonds.
- **Affordability** — Most of the mutual funds generally have low minimum investment amount requirements, both initially and subsequently, making saving and investing well within reach. Plus, you benefit from economies of scale, meaning you get to invest in instruments that you otherwise may not have been able to afford on your own.
- **Liquidity** — Mutual fund investors may readily redeem their units at the prevailing NAV.

Types of mutual funds

The first step to take before investing in any given fund is to determine which investment strategy is best for you—decide why you are investing, how long you can stay invested before you need your money back (barring unforeseen circumstances), and how much risk you are willing to take. You can do this with the help of an investment advisor.

Most mutual funds in Pakistan fall into one of three main categories —money market funds, fixed income funds, and equity funds, all available in both Conventional and Shariah-compliant options. Each type has different features and different risks and rewards.

- **Money Market Funds** have lower risk compared to other types of funds. They only invest in certain high-quality, short-term investments issued by the Government of Pakistan, like treasury bills (also known as T-Bills), and in bank deposits. Historically, money market fund returns have been lower than those of both fixed income and also equity funds.
  Potential Risks: The risk that the return on investment (ROI) will not beat inflation and will, hence, lead to decrease in purchasing power, or "inflation risk".
- **Fixed Income Funds** tend to be riskier than money market funds as they aim to produce higher yields. Unlike money market funds, fixed income funds are permitted to hold longer-term investment instruments including bonds, i.e. debt instruments. Debt instruments include both Government-issued debt, i.e. Pakistan Investment Bonds (PIBs) / Ijarah Sukuks, and also corporate debt, or Term Finance Certificates (TFCs) / Corporate Sukuks. Due to the many different types of debt instruments, these funds may vary dramatically in their risks and rewards.
  Potential Risks: The risk that the debt-issuer defaults on their payment, or "credit risk". The likelihood of defaulting in case of Government-issued debt is very low. In addition, the risk that the market value of bonds will go down when interest rates go up, causing a decrease in investment value, or "interest rate risk".
- **Equity Funds** have historically outperformed all other investment options in the long-term. They give you an opportunity to allow experts to invest in permitted stocks on your behalf through the fund. These well-researched stocks grant you exposure to different companies and sectors through a single investment.
  Potential Risks: The risk that prices of stocks may go up or down drastically, especially in the short term, or "market risk". A few potential reasons may be economic downturn, lack of sector performance, or

You will also find mutual funds that are hybrids of the above three asset classes. These are most commonly called Asset Allocation / Balanced Funds. Typically, these particular funds provide a dynamic mix of equities, bonds, and liquid instruments, balanced and rebalanced in a manner that captures the upside in each market while staying within certain predefined limits per asset class. The benefit of these funds is easy exposure to multiple asset classes in one window, and expert fund managers actively rebalancing your investments to manage risk and maximize returns based on their research-backed market outlooks. These funds have the potential to give you the best of both worlds—equity and fixed income.

How funds can earn you money

There are essentially three ways in which funds can earn you money:

- **Dividends** — Income may be earned by a fund in the form of dividends and markup on the underlying securities of its portfolio. At least 90% of income has to be distributed as dividend. This income, short of declared expenses, is then paid out to its unit holders in the form of dividends. This may be physically paid out or reinvested in the fund, as you choose.
- **Capital Gains** — Each underlying security owned by the fund has its own price – when these prices go up, the difference is called a capital gain. When a fund sells a security that has increased in price, the fund then has realized capital gain. At the end of the year, funds may distribute these capital gains, less any capital losses, to investors in the form of dividends. Taxes are applied according to the prevailing tax laws in both cases.
- **NAV Increase** — If the market value of a fund's portfolio increases, after deduction of expenses and liabilities, then the NAV of the fund and its units increases. A higher NAV reflects a higher value of your investment.

Tax benefits

When you invest in mutual fund schemes or investment plans for a minimum of two years, you may increase the overall return on your investment by availing tax credit. A tax credit is a kind of tax saving that you can get on your income tax for the year when you invest for a specified minimum time period. This tax-saving facility can be availed by both salaried and self-employed individuals in accordance with Section 62 of the Income Tax Ordinance, 2001. The amount of tax credit that you will be entitled to will be adjusted from your payable annual income tax for the year, thus giving you an overall tax saving!

Save. Invest. Grow.

Just as it is never too late to benefit from investing, it is never too early to begin. Having a financial plan is crucial to helping your money grow and ultimately achieving your goals. We understand that you may not have the time or knowledge to develop your own financial plan.

That is where our advisors come in. UBL Funds can help you move from one stage of your life to another with ease and confidence. Situated in all major parts of the country, our investment advisors use their knowledge, expertise, and resources to work closely with you to understand your needs and objectives, and then recommend solutions according to your needs that will help you achieve your goals.

UBL Fund Managers

UBL Fund Managers Limited is an Asset Management Company entrusted to manage money by investing on behalf of our clients, which range from large institutions to individuals who hail from all walks of life.

Established in 2001, UBL Funds is an industry leader in the private sector, a wholly-owned subsidiary of United Bank Limited, and the only Pakistani asset manager with international presence in the UAE and Qatar.

Our promise is to always place investor interest at the forefront of what we do. We provide investment solutions through mutual funds and direct investment advisory to help our clients plan for a better financial future.

Our efforts have been recognized in the form of a number of accolades, including the prestigious Corporate Excellence Award bestowed upon us by the Management Association of Pakistan in December 2014 —we are proud to be the first asset management company to be given this honor (http://mappk.org). Our commitment to excellence is further reflected in our rating of AM2+ awarded in December 2014, signifying High Management Quality and being the highest rating currently awarded to any asset manager in Pakistan (www.jcrvis.com.pk).

We are passionate about performing at the highest levels, and this commitment grows stronger with every milestone that we achieve. It is our mission to provide superior investment services and make a positive and uplifting difference in the lives of our clients.


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