

THE INVESTORS ARE ADVISED IN THEIR OWN
INTEREST TO CAREFULLY READ THE CONTENTS OF
THE OFFERING DOCUMENT IN PARTICULAR THE RISK
FACTORS MENTIONED IN SECTION 3.7 AND WARNINGS
IN SECTION 10 BEFORE MAKING ANY
DECISION

POST CONVERSION

Offering Document

Pakistan Capital Market Fund

Issue and Redemption of Units to Start From

21 November 2005

An Open-end Fund Managed By:

Arif Habib Investment Management Limited

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1. PART 1: APPROVAL AND CONSENT

1.1. POST CONVERSION OFFERING DOCUMENT

Arif Habib Investment Management Limited (“AHIML” or the “Management Company”) launched a closed-end scheme under the name “PAKISTAN CAPITAL MARKET FUND” on November 5, 2003 (hereinafter referred to as the “Scheme”, or “PCMF”, or the “Fund”, or the “Trust”). The Management Company, accordance with Rule 61(2) of the Non-Banking Financial Company Rules, 2003, (the “Rules”), for the benefit of the Certificate Holders, proposed the conversion of the Fund from a closed- to an open-ended scheme and the Certificate Holders did, by a majority of not less than three-fourths at a meeting called for this purpose on 21st May 2005 approved the conversion by passing the following resolution with no dissenting vote, “RESOLVED that, as recommended by the Board of Directors of Arif Habib Investment Management Limited Management Company (then known as the “Investment Adviser”) of Pakistan Capital Market Fund (PCMF) the conversion of Pakistan Capital Market Fund (PCMF) into an Open-end Scheme be and is hereby approved subject to the approval of the Trustee and the Securities and Exchange Commission of Pakistan” (the “Certificate Holders’ Resolution”).

This Post Conversion Offering Document (the “Offering Document”) sets out the arrangements covering the basic structure of the Fund subsequent to its conversion. It sets forth information about the Fund that a prospective investor should know before investing in any Unit of the Fund. The provisions of the Trust Deed and the Rules govern this Offering Document.

If you have any doubt about the contents of this Offering Document, you should consult one or more from amongst your investment advisers, legal advisers, bank managers, stockbrokers or financial advisers.

Investors must recognize that all investments involve risk. It should be clearly understood that the Fund’s portfolio will be subject to market fluctuations and risks inherent in all such investments. The value of Units of the Fund may appreciate as well as depreciate and the level of dividends declared by the Fund cannot be assured.

1.2. DEFINITIONS

Unless the context requires otherwise all words, terms or expressions used in this Offering Document shall have the meaning assigned to them in Section 13 hereof or in the Trust Deed.

1.3. REGULATORY APPROVAL

The Commission has, vide its letter No. NBFC-II/JD(R)/AHIM/481 dated 24 June 2005, authorized the conversion of the Fund to an open-end scheme, under the name, “Pakistan Capital Market Fund” and has through its letter No. NBFC/MF-AD-II(R)/683/2005 dated 20 September 2005 authorized the registration of a supplemental trust deed to effect the same. The Commission has approved this Offering Document, under Rule 61, 67 and 70 of the Rules vide letter No. NBFC-II/JD(R)/AHIM-PCMF/744 dated 17 October 2005.

It must be clearly understood that in giving this approval, the Commission does not take any responsibility for the financial soundness of the Fund nor for the accuracy of any statement made or any opinion expressed in this Offering Document.

1.4. FILING OF THE OFFERING DOCUMENT

The Management Company has filed a copy of this Offering Document with the Securities and Exchange Commission of Pakistan (SECP), signed by all Directors of the Management Company, along with copies of the Documents below:

- (1) Trust Deed, dated 27th October 2003 (the “Original Trust Deed”), executed between AHIML and the Central Depository Company of Pakistan Limited (the “CDC” or the “Trustee”), appointing the CDC as Trustee to the Fund;
- (2) Supplemental Trust Deed dated 27 October 2005 (the “Supplemental Deed”), executed between AHIML and the CDC, effecting the conversion of the Fund from closed- to open-ended;
- (3) Amended and Restated Trust Deed (the “Trust Deed”), incorporating the impact of the Supplemental Deed on the Original Trust Deed;
- (4) The Certificate Holders’ Resolution passed at a meeting called for this purpose on 21st May 2005 approving the conversion of the Fund from Closed-end to Open-ended Fund;
- (5) Consents of the Auditor, Legal Adviser, Bankers to the Issue, Consultant to the Issue, Trustee, Directors, Secretary and Chief Executive of the Management Company (then known as the “Investment Adviser”) to their respective appointments and having been named and described as such in this Offering Document;
- (6) Letter dated 5th January 2004 from the Auditors of PCMF, A.F. Ferguson & Co., Chartered Accountants, consenting to the issue of report appearing in the Annexure to this Offering Document;
- (7) Letter No. NBFC-45/AMC & IA/05/2003 dated August 21, 2003, from the Securities and Exchange Commission of Pakistan (the “Commission” or the “SECP”), licensing AHIML to undertake asset management and investment advisory services, under the Non Banking Finance Companies (Establishment and Regulation) Rules, 2003 (the “Rules”)
- (8) Letter No. NBFC-II-JD(R) /AHIM-PCMF/497 dated 30 September 2003 from SECP to AHIML, approving CDC to act as Trustee of PCMF under Rule 43 & 44 of the Rules;
- (9) Letter No. NBFC-II/JD(R) /AHIM-PCMF/592/2003 dated 5 November 2003 from SECP to AHIML, authorizing for a closed-end scheme named Pakistan Capital Market Fund under Rule 41 of the Rules;
- (10) Letter No. NBFC-II/JD(R)/AHIM/481 dated 24 June 2005 from SECP to AHIML in principle approving the conversion of PCMF from a closed-end to an open-end scheme.
- (11) Letter No. NBFC/MF-AD-II(R)/683/2005 dated 20 September 2005 from SECP to AHIML approving the registration of a Supplemental Trust Deed to effect the conversion of PCMF from a closed-end to an open-end scheme.
- (12) Letter No. NBFC-II/JD(R)/AHIM-PCMF/744 dated 17 October 2005 from the SECP to AHIML, approving this Offering Document under Rules 61,67 and 70 of the Rules.

2. PART II: CONSTITUTION OF THE SCHEME

2.1 CONSTITUTION OF THE SCHEME

The Fund has been established through a trust deed (the “Trust Deed”), dated 27th October 2003, under the Trusts Act, 1882, which was amended by a Supplemental Trust Deed dated 27th October 2005 executed between:

- (1) Arif Habib Investment Management Limited (the “Management Company” then known as the “Investment Adviser” or “AHIML” or the “Offeror”), having its registered office at 2/1, R.Y. 16, Old Queens Road, Karachi, and having been licensed to provide asset management services under the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003, (the “Rules”) by the Securities and Exchange Commission of Pakistan (the “Commission”) vide its letter No. SC/NBFC-II/421/2003 dated 21 August 2003, of the One Part; and
- (2) Central Depository Company of Pakistan Limited (the “CDC” or the “Trustee”), having its registered office at the Stock Exchange Building, Stock Exchange Road, Karachi, and having been approved by the Commission to act as the Trustee vide its letter No. NBFC-II-JD(R)/AHIM-PCM/479 dated September 30, 2003, of the Other Part.

The investment objective of the Fund is to maximize returns available from Pakistan’s capital market by investing the Fund Property in equity, as well as debt instruments, while diversifying the risks within the market.

2.2 TRUST DEED

The Trust Deed is subject to and governed by the Securities and Exchange Ordinance, 1969 (the “SEC Ordinance”) and the Rules.

The terms and conditions of the Trust Deed and any deed supplemental thereto shall be binding upon each Unit Holder.

The Trustee and the Management Company, acting together with the approval of the Commission, shall be entitled, by supplemental deed, to modify, alter, or add to the provisions of the Trust Deed on any of the following grounds:

- (a) To the extent required to ensure compliance with any applicable laws and regulations;
- (b) To enable the provisions of the Trust Deed to be more conveniently or economically managed;
- (c) To enable the Units to be listed on the Stock Exchange;
- (d) To otherwise benefit the Unit Holders; or

Provided that in the case of (b), (c), and (d) above, such alteration or addition shall not prejudice the interests of the Unit Holders; and in any event, it shall not release the Trustee or the Management Company of their responsibilities.

2.3 DURATION

The duration of the Fund is perpetual. However, it can be wound up by the Commission or the Management Company on the occurrence of events stated in Part XII of this Offering Document under the heading “TERMINATION OF THE SCHEME” and the provisions of the Trust Deed.

2.4 UNITS

PCMF is divided into Units having a par value of Rs.10 each. This price was applicable to such Certificates (now Units) that were issued on or before the Initial Offer. Upon the Conversion of the Fund from a closed-end scheme to an open-ended scheme, the Certificates that had been issued to the Certificate Holders (when the fund was closed-end scheme), stood converted into Units and each Certificate Holder holding Certificates has been issued Units of the Fund as an open-ended scheme in the ratio of 1:1 i.e. one Unit has been issued for each Certificate of the closed-end scheme. After the Conversion of the Fund further Units shall be issued on the basis of their Net Asset Value (NAV), which shall form the base for determining the Offer and Repurchase Prices. All Units and fractions thereof represent an undivided share in the Fund and rank pari passu as to their rights in the net assets, earnings, and the receipt of the dividends and distributions. Each Unit Holder has a beneficial interest in PCMF proportionate to the Units held by such Unit Holder. However, for the convenience of investors, the Management Company may issue Units with different options with differing quantum of the Front-end Load added to the NAV for determining the Offer Price thereof and differing levels of Back-end load deducted for determining the Redemption Price.

2.5 OPEN-ENDED FUND

PCMF is an open-ended fund. It shall offer and redeem Units on a continuing basis subject to terms herein. There is no lower or upper limit set on the Units to be issued to a single Unit Holder or on the total number of Units to be issued to the public. However, the Management Company may impose, from time to time, certain amounts of minimum monetary investment limits to facilitate economical and efficient management of investors' accounts. Fractional Units will be issued to enhance economical and efficient handling. Units are also transferable. Units will be issued in registered, un-certificated form and will be confirmed to investors by means of an account statement issued by the Registrar. Certificates representing the Units will be issued subject to terms herein at a nominal charge only if requested by the Unit Holder.

2.6 TRANSACTIONS IN UNITS AFTER THE CONVERSION OF FUND

After the Conversion the Units can then be purchased at their Offer Price on the day of purchase and redeemed at the Redemption Price on the day of Redemption, which shall be calculated on the basis of NAV. The Offer and Redemption Prices shall be calculated by the Management Company on each Business Day.

The Issue and Redemption of Units may be suspended or deferred by the Management Company under certain circumstances as detailed in Part V.

2.7 OFFERING DOCUMENT

This Offering Document is governed by the provisions of the Trust Deed and the Rules. It sets forth the information about the PCMF that a prospective investor should know before investing in any Unit. Arif Habib Investment Management Limited accepts responsibility for the accuracy of the information herein contained as of the date of publication.

3. PART III: INVESTMENT POLICY AND RESTRICTIONS

3.1. INVESTMENT OBJECTIVE

The Fund is an open end Asset Allocation Fund that will aim to invest in a broad range of asset classes so as to diversify Fund risk and to optimize potential returns. The Fund shall invest up to a maximum limit of 100% of its NAV in equity securities or debt / money market securities with per company and per sector limitations as prescribed in the Rules. Out of the total investment minimum 60% of net assets shall remain invested in the listed securities or securities for which a listing application has been approved by a stock exchange and investment in Government securities shall not exceed 30% of net assets.

Within each asset class the Fund will seek to realize value in its investments by trying to identify undervalued securities, taking advantage of arbitrage opportunities, taking advantage of mis-pricing of various assets, taking opportunistic exposure in various securities to take advantage of trends and business cycles and to generally invest and profit from any investment opportunity that may arise and which in the opinion of the Fund presents an attractive profitable opportunity to increase and realize value for the benefit of the Fund and its Unit Holders.

Investment in the Fund will provide investors with a means to access the capital markets of the country by utilizing the professional fund management expertise available with the management company.

3.2. INVESTMENT POLICY

3.2.1 Investable Asset Classes

Broadly speaking the various asset classes that the Fund may seek to invest in are as follows:

1. Bank deposits

The Fund shall keep a certain portion of its assets as bank deposits to meet liquidity requirements or if no other attractive investment opportunities are available.

2. Equity

As mentioned above the Fund may invest a maximum of up to 100% of NAV in equity securities.

The Fund may also enter into transactions aimed at earning a spread in the price of shares resulting from the timing difference between ready and future settlements.

3. Debt / Fixed Income Instruments including money market investments such as Reverse REPOS etc

As mentioned above the Fund may invest a maximum of up to 100% of NAV in debt / fixed income instruments and / or money market investments.

With interest rates rising there may arise attractive investment opportunities of buying into high yielding paper of blue chip companies and / or companies with strong and reputable sponsors and promoters or of companies with government / semi – government ownership etc. Investments in money market instruments also serve a useful purpose of parking excess

funds for short periods of time until viable and attractive investment opportunities emerge elsewhere.

4. Continuous Funding System (CFS).

The Fund may invest a maximum of up to 25% of NAV in the Continuous Funding System (CFS) with no more than 20% of CFS amount in any one scrip at the time of such investment.

The CFS presents an attractive opportunity to provide financing to the weak equity holders in the Stock Exchange(s) at attractive returns to the Fund. Such transactions normally involve providing financing against delivery of shares to the Fund and then the reversal of this transaction whereby the money plus profit is earned by the Fund.

5. Warrants, options (including financial options and contracts), derivatives and contracts

The investment in this asset class shall be for hedging purposes only and on such other terms and conditions as may be specified by the SECP from time to time

6. Other asset classes

- a. Subject to the Rules and any other applicable law, the Management Company may through Trustee on behalf of the Fund write call options on any of the securities held in the portfolio, if there is a market based exit mechanism from options so written.
- b. Subject to applicable laws, the Management Company may, with such regulatory permissions that may be required, alter the investment policy to include in the portfolio, Pakistan origin investments issued, traded or listed outside Pakistan.
- c. Furthermore, subject to SECP and other regulatory approvals the Fund may seek to invest in foreign securities issued, listed and traded outside Pakistan on such terms, guidelines and directions as may be issued by SECP and the State Bank of Pakistan from time to time.

3.2.2 Flexible Asset Allocation

The Fund will seek to enhance Unit Holder returns by actively switching between asset classes so as to avoid or reduce risk and improve returns. The flexible asset allocation is based on the following parameters:

- The Fund can invest up to a maximum of 100% of NAV in equity securities or in debt / money market securities with per company and per sector limitations as prescribed in the Rules. Out of the total investment minimum of 60% of assets shall remain invested in the listed securities or securities for which a listing application has been approved by a stock exchange and investment in Government securities shall not exceed 30% of net assets.
- The Fund shall invest up to a maximum of 25% of its NAV in the Continuous Funding System (CFS) with not more than 20% of CFS amount in any one scrip at the time of such investment,

- The Fund will also seek to keep some portion of its assets in cash/deposits bank accounts of liquid nature in order to meet any potential redemption requests by Unit Holders.

Within the investment parameters mentioned above, the Investment allocations of each asset class is subject to change from time to time at the direction of the Investment Committee of the Fund.

Decisions about asset allocation of the Fund will be made by the Investment Committee at least once every month. Such decisions will be documented and will be based on key overall indicators which may include factors such as:

1. stock market outlook and performance
2. inflation
3. interest rates scenario
4. liquidity
5. availability of attractive return alternatives in debt and money market
6. country politics and overall economic indicators
7. Any other factors that in the opinion of the Investment Committee can have an influence on overall asset class returns

Besides following an active asset allocation strategy between various asset classes the fund will also look to actively switch within each asset class into different sub classes within each asset category. For e.g., within the asset class category of Equities the Fund can have investments in various sub classes such as in the cement sector, oil sector, banking sector etc.

3.2.3 Asset Class policy

The investment policies for key asset classes is as follows:

1. Equity

For equity investments the following broad parameters will be used by the Fund:

a) Value Stocks

Such stocks are of those companies which are undervalued and their intrinsic share value is higher than the market quoted price of such shares

b) Growth Stocks

Such stocks are of those companies which are expected to see high growth in sales and profits in the coming few years

c) Dividend Stocks

Such stocks are of those companies which regularly pay out high dividends from their earnings and as such provide regular income stream to the Fund

The Fund will aim to have a mix of the above stock categories but if it feels that any one stock category offers higher returns than the other categories then the Fund may even have all its equity investments in that one category.

2. Debt / Fixed Income Instruments including money market investments such as Reverse REPOS etc

Investments into debt and fixed income instruments will be made keeping in mind the following key broad parameters:

a) Sponsor of the issue

Investments will be made keeping in mind the market reputation and past track record of the issuing entity and its main sponsors.

b) Strength of financials and ability to repay

The strength and stability of the issuing company's earnings will be taken into consideration and special focus will be made on its cash flows and the resultant ability to repay the debt.

c) Rate of return offered

Attempt will be made to invest in those securities that offer competitive returns vis-à-vis other similar investments in the market.

d) Industry fundamentals and future outlook

Industry outlook and its future potential will also be looked into at the time of investing in any company's debt and fixed income instruments.

The Fund will seek to invest in those debt and fixed income instruments that offer attractive market returns and are issued by sponsors with strong financials and ability to repay.

3. Continuous Funding System (CFS)

For CFS investments the Fund will seek to invest in CFS eligible stocks / scripts that offer attractive returns.

3.2.4 Changes in Investment policy

The above investment policy will be governed by the Rules (subject to any exemptions provided to the Fund specifically by the SECP) and any other conditions as may be imposed by the SECP. Any change in the investment policy will be implemented only after obtaining prior approval from SECP and giving proper notice to the Unit Holders to the satisfaction of the Trustee.

3.3. INVESTMENT RESTRICTIONS

The investment restrictions that apply to the fund and its investments in various asset classes are as follows:

1. The Fund Property shall be subject to such exposure limits as are provided in the Rules (except where any exemptions that may be specifically given to the Fund by the SECP): Provided that it will not be necessary for the Trustee to sell any Investment merely because owing to appreciation or depreciation of any Investment or disposal of any Investments such limit shall be exceeded. The Management Company will have six (6) months to comply with the exposure limits in case such limits are exceeded.
2. In accordance with diversification policy the Scheme will not invest more than twenty-five per cent (25%) of its Net Assets Value in securities of any one sector as per classification of the Karachi Stock Exchange or any other exchange where the units of the Fund are listed.

3. The purchase or acquisition of a particular listed security shall not exceed in the aggregate ten percent (10%) of the Net Assets Value (NAV) of the Fund at the time of the investment or 10% of the issued securities of the investee company
4. The purchase of Units of other open-ended funds (unit trusts) by the fund shall be restricted up to a maximum of 10% of the Net Assets Value (NAV) of the Fund except for the Funds managed by the management company.
5. If and so long as the value of the holding in a particular company or sector shall exceed the limit imposed by the Rules, the Management Company shall not make any further investments in such company or sector. However this restriction on purchase shall not apply to any offer of right shares or any other offering, if the Management Company is satisfied that accepting such offer is in the interest of the Unit Holders. .
6. The Fund Property shall not be invested in any security of a company if any director or officer of the Management Company or any of their Connected Persons owns more than five per cent of the total nominal amount of the securities issued or collectively the directors and officers of the Management Company or any of their Connected Persons own more than ten per cent of those securities.
7. The Trust shall not purchase from or sell any security to the Management Company or the Trustee or to any director, officer or employee of the Management Company or Trustee or to any person who beneficially owns ten per cent or more of the equity of the Management Company or the Trustee, save in the case of such party acting as a intermediary. .
8. The Trust will not at any time:
 - (a) Purchase or sell:
 - Bearer securities.
 - Securities on margin
 - Commodities contracts or commodities and directly real estate (save and except that the Management Company may invest in securities secured by real estate or interest therein or equity securities issued by companies that invest in real estate or have interest therein)
 - Securities which result in assumption of unlimited liability (actual or contingent).
 - Anything other than Authorized Investments as defined herein;
 - (b) Participate in a joint account with others in any transaction;
 - (c) Make short sales of any security or maintain a short position in securities;
 - (d) Under no circumstances shall the Management Company buy or sell options on behalf of the Scheme in excess of 10% of the NAV or that result in an exposure beyond the number of underlying securities held in the portfolio of the Scheme. The Management Company may, however, buy call options or put options, on one or more item (financial or otherwise) that in its opinion would act as a hedge / defensive proxy for the overall market risk

3.4. EXCEPTION TO INVESTMENT RESTRICTIONS

- 3.4.1 Subject to specific approval from SECP and after completing the regulatory formalities the Fund may:
- i. pledge securities in favor of an exchange or clearing house or other settlement system for the purpose of facilitation or guaranteeing settlement;
 - ii. purchase any security on margin, where the full value of the purchase amount is placed in a bank deposit or a treasury bill;
 - iii. apply any part of its assets for investment in securitized real-estate funds.

3.5. BORROWING RESTRICTIONS

- 3.5.1 Subject to any statutory requirements for the time being in force and to the terms and conditions herein contained, the Trustee may at any time, at the request of the Management Company, concur with the Management Company in making and varying arrangements with Banks or financial institutions for borrowing by the Trustee for the account of the Fund, for the purpose of meeting redemption request(s) provided that the charges payable to such Bank or financial institution are not higher than the prevailing market rates. Provided further that the maximum borrowing for the account of the Trust shall not exceed the limit provided in the Rules but if subsequent to such borrowing, the Net Assets are reduced as a result of depreciation in the market value of the Fund Property or redemption of Units, the Management Company shall not be under any obligation to reduce such borrowing.
- 3.5.2 Neither the Trustee, nor the Management Company shall be required to issue any guarantee or provide security over their own assets for securing such borrowings from banks and financial institutions. The Trustee or the Management Company shall not in any manner be liable in their personal capacities for repayment of such loans or advances.
- 3.5.3 For the purposes of securing any such borrowing the Trustee may, with the approval of the Management Company mortgage, charge or pledge in any manner all or any part of the Fund Property provided that the aggregate amount secured by such mortgage, charge or pledge shall not exceed the limit provided in the Rules.
- 3.5.4 Neither the Trustee nor the Management Company shall incur any liability by reason of any loss to the Trust or any loss that a Unit Holder may suffer by reason of any depletion in the Net Asset Value that may result from any borrowing arrangement made hereunder

3.6. TRANSACTIONS WITH CONNECTED PERSONS

- 3.6.1 All cash forming part of the Fund Property shall be deposited by the Trustee in a separate account to be opened in the name of the Trustee, as a nominee of the Fund, with a bank of Investment Grade Rating approved by the Management Company. Such bank shall be required to allow profit thereon in accordance with the rules prescribed by such bank or the financial institution for sharing of profits or mark-up on deposits maintained in such account or under any other arrangement approved by the Management Company.
- 3.6.2 Neither the Trustee or the Custodian (if Trustee has appointed another person as Custodian) nor the Management Company or any of their Connected Persons shall sell or purchase or

deal in the sale of any Investment or enter into any other transaction with the Trust save in the capacity of an intermediary.

- 3.6.3 Subject to the Rules, any transaction between the Trust and the Management Company or any of their respective Connected Persons as principal shall only be made with the prior written consent of the Trustee.

3.7. RISKS

It should be clearly understood that portfolio of PCMF is subject to market fluctuations and risks inherent in all such investments. The value of Units in PCMF may appreciate as well as depreciate, and the Fund may or may not declare a dividend. Past performance does not necessarily indicate future performance.

Investments will primarily be in equity securities. Such investments carry a risk that is considered higher than that to which fixed income or debt securities are subject. This risk emanates from various including, but not limited to, the following:

- Change in business cycles affecting the business of the company in which investment is made
- Change in business circumstances of the company, its business sector, industry, and/or economy in general
- Mismanagement of the investee company, third party liability, whether through class action or otherwise, or occurrence of such other events as strikes, fraud, etc. in the investee company
- Breakdown of law and order, war, natural disasters, etc.
- Senior rights of creditors, over the shareholders, in the event of winding up of the investee company
- Volatility of share prices resulting from their dependence on market sentiment, speculative activity, supply and demand for shares, and liquidity in the market
- The possibility of default of the participants or failure of the stock exchanges, the depositories, the settlement system, or the clearing system
- Any governmental or court orders restraining payment of capital income

Investment in PCMF is suitable for investors who have the ability to bear the risks associated with stock market investments. Capital invested the stock market could in extreme circumstances lose its entire value. However, studies show that diversification of the investment reduces the risk associated with investing in the stock market.

The Units of PCMF are not bank deposits and are neither issued by, insured by, or the obligation of the Commission, any Government agency, any of the shareholders or the Management Company, or any other bank or financial institution.

4. PART IV: OPERATORS AND PRINCIPALS

4.1. MANAGEMENT COMPANY

Arif Habib Investment Management Limited is registered with the Commission as an asset management company under the Rules. AHIML started operations by offering two funds with a total seed capital of Rs. 500 million in March 2002. AHIML, which offers both close and open-ended collective investment schemes, currently manages in excess Rs. 15 billion in assets. AHIML has developed a number of products for retail investors and set-up a network of branches and investment facilitators that gives it outreach into major cities of Pakistan. It currently operates three open-ended and three closed-end mutual funds.

4.1.1 Compliance and transparency

- AHIML has self imposed an ongoing (daily), three-tier compliance audit. The audit ensures compliance with:
 - ◀ NBFC Rules 2003 (imposed by the SECP)
 - ◀ Offering Document
 - ◀ Internal policies and processes
- The daily NAV prices are post audited by the external auditors.
- The management company has written a mandatory change of auditors after every three year in Offering Documents of most funds.
- The Management Company has self imposed a strong cut-off timing discipline. All forms are time stamped at the head office.
- The Management Company also ensures that assets in the all open-ended as well as closed-end funds are marked to market on a daily basis. This includes funds investing in all available asset classes.

AHIML was the first fund manager to start publishing a monthly fund managers' report. The report is designed to ensure transparency and investor confidence by seeking to explain fund manager decisions and views.

4.1.2 The best performing fund manager

The Management Company received the MUFAP 'Performance Excellence Award' for 2004, in both fixed income and equity categories of open-end funds. AHIML received trophies for both Pakistan Stock Market Fund and Pakistan Income Fund.

4.1.3 Ratings of Management Company & Funds*

Management Company/Funds	Rating Agency	Rating	Rating Reflects
Arif Habib Investment Management Ltd	PACRA	AM2	Asset manager meets very high investment management industry standards and benchmarks with noted strengths in several of the rating factors.
Pakistan Stock Market Fund (PSM)	PACRA	AA(f)	A fund consistently out performing its peers with strong capacity to respond to future opportunities or stress situations.
Pakistan Income Fund (PIF)	PACRA	A+(f)	A fund with stable performance generally in line with its peers with adequate capacity to respond to future opportunities or stress situations.
Pakistan Premier Fund Limited (PPFL)	PACRA	AA(f)	A fund consistently out performing its peers with strong capacity to respond to future opportunities or stress situations.
Arif Habib Investment Management Ltd	JCR-VIS	AA(MQ)	High Management Quality
Pakistan Stock Market Fund (PSM)	JCR-VIS	5-star	Very good performance

*Rating dates PACRA Sep 2004, JCR-VIS May 2005

4.2. OPEN-ENDED FUNDS:

THE FOLLOWING ARE THE OPEN-ENDED FUNDS PRESENTLY BEING MANAGED BY THE MANAGEMENT COMPANY

Name:	Pakistan Stock Market Fund
Date of Launching:	March 12, 2002
Nature of Fund:	Equities Fund
NAV on June 30, 2005:	Rs. 2,713 million
Par value of unit:	Rs. 50.00
NAV per unit on June 30, 2005: (Ex Dividend & Bonus)	Rs. 90.10
Distribution (June 30, 2005):	50% Bonus 20% Cash

Name:	Pakistan Income Fund
Date of Launching:	March 12, 2002
Nature of Fund:	Money Market Fund
NAV on June 30, 2005:	Rs. 3,707 million
Par value of unit:	Rs. 50.00
NAV per unit on June 30, 2005: (Ex Bonus)	Rs. 50.05
Distribution (June 30, 2005):	9.6 % Bonus

Name:	Metro-Bank Pakistan Sovereign Fund
Date of Launching:	March 1, 2003
Nature of Fund:	Govt. Bonds Fund
NAV on June 30, 2005:	Rs. 871 million
Distribution (June 30, 2005):	Nil

4.3. CLOSED-END FUNDS

THE FOLLOWING ARE THE CLOSED-END FUNDS PRESENTLY BEING MANAGED BY THE MANAGEMENT COMPANY

Name:	Pakistan Premier Fund Limited
Date of Acquisition:	December 26, 2002
Nature of Fund:	Equities Fund
NAV on 30 June 2005:	Rs. 2,207.13 million
Par value of unit:	Rs. 10.00
Paid up Capital on June 30, 2005:	Rs. 1,181.25 million
NAV on June 30, 2005:	Rs. 18.68 per share
Distribution (June 30, 2005):	25.0% Bonus 15.0% Cash 15.0% Cash (interim 2006)

Name:	Pakistan Capital Market Fund
Date of Launching:	January 2004
Nature of Fund:	Asset Allocation
NAV on Launch:	Rs. 1,500 million
NAV on June 30, 2005:	Rs. 1,960.42 million
Par value of unit:	Rs. 10.00
NAV per Certificate on June 30, 2005: (Ex Dividend)	Rs. 11.33 per share
Distribution (June 30, 2005):	30.0 % Cash

Name:	Pakistan Strategic Allocation Fund
Date of Launching:	August 2004
Nature of Fund:	Contrarian Quantitative Model based Fund
NAV on Launch:	Rs. 3,000 million
Par value of unit:	Rs. 10.00
NAV on June 30, 2005	Rs. 3,651.95 million
NAV per Certificate on June 30, 2005 (Ex Dividend)	Rs. 10.67 per share
Distribution (June 30, 2005):	25.0% Cash

4.4. FINANCIAL HIGHLIGHTS OF MANAGEMENT COMPANY

	(Rupees in '000)				
Year Ended 30 June:	2004-05	2003-04	2002-03	2001-02	2000-01
Authorized Capital	100,000	100,000	100,000	100,000	100,000
Paid-up Capital	40,000	40,000	40,000	40,000	32,000
Total Equity	264,646	119,310	53,684	13,248	22,158
Total Assets	735,929	389,656	111,880	17,520	31,510
Revenue	348,128	141,855	38,988	6,974	609
Expenses	178,119	97,110	36,655	23,861	10,448
Profit/(Loss) after Tax	120,550	29,145	531	(16,914)	(9,842)

4.4 A DETAILS OF SHAREHOLDING OF MANAGEMENT COMPANY (August 2005)

Sr. No.	Name	% of Holding
1	Arif Habib Securities Limited	62.40 %
2	Mr. Arif Habib	16.00 %
3	Mr. Nasim Beg	10.00 %
4	AHIML Employees Stock Beneficial Ownership Trust	10.00 %
5	Mr. John Kirkham	1.60 %

4.5. DUTIES AND POWERS OF THE MANAGEMENT COMPANY

- 4.5.1 The Management Company shall manage the Fund Property in the interest of the Unit Holders in good faith and to the best of its ability and without gaining any undue advantage for itself or any of its Connected Persons, and subject to the restrictions and limitations as provided in this Deed and the Rules. Any purchase or sale of investments made under any of the provision of this Deed shall be made by the Trustee according to the instructions of the Management Company, unless such instructions are in conflict with the provisions of this Deed or the Rules. The Management Company shall not be liable for any loss caused to the Fund or to the value of the Fund Property due to any elements or circumstances beyond its reasonable control.
- 4.5.2 The Management Company shall comply with the provisions of the Rules and this Deed for any act or matter to be done by it in the performance of its duties and such acts or matters may also be performed on behalf of the Management Company by any officer or responsible official of the Management Company or by any nominee or agent appointed by the Management Company and any act or matter so performed shall be deemed for all the purposes of this Deed to be the act of the Management Company.
- 4.5.3 The Management Company shall be responsible for the acts and omissions of all persons to whom it may delegate any of its functions as manager as if these were its own acts and omissions
- 4.5.4 The Management Company shall account to the Trustee for any loss in value of the Fund Property where such loss has been caused by its negligence reckless or willful act and/or omission or by its officers, officials or agents.
- 4.5.5 The Management Company shall maintain at its principal office, proper accounts and records to enable a complete and accurate view to be formed of the assets and liabilities and the income and expenditure of the scheme, all transactions for the account of the scheme and amounts received by the scheme in respect of issues of units and paid out by the scheme on redemption of units and by way of distributions;
- 4.5.6 The Management Company shall prepare and transmit the annual report, together with a copy of the balance sheet, income and expenditure account and the auditor's report of a scheme within four months of closing of the accounting period to the unit holders, and the balance sheet and income and expenditure account shall comply with requirements set out in Schedule IV;
- 4.5.7 within one month of the close of the first and the third quarter of its year of account, prepare and transmit, through its website to the unit holders and the Commission balance sheet as on the end of that quarter, profit and loss account, cash flow statement and a statement of changes in equity for that quarter, whether audited or otherwise;

- 4.5.8 within two months after the close of the first half of its year of account, prepare and transmit to the Unit Holders and the Commission a profit and loss account for and balance sheet as at the end of that half year, whether audited or otherwise, in accordance with the Rules.
- 4.5.9 The Management Company shall maintain a register of unit holders of a scheme and inform the Commission of the address where the register is kept. However, the Management Company may appoint a Registrar, as its agent, to maintain the register and may from time to time remove or replace the Registrar
- 4.5.10 The Management Company shall furnish a copy of the annual report together with copies of the balance sheet, income and expenditure account and the auditor's report of a scheme to the Commission within four months of the close of the accounting period together with a statement containing the following information, namely:-
- (i) total number of unit holders; and
 - (ii) particulars of the personnel (executive, research and other) of the asset management company;
- 4.5.11 The Management Company shall make available or ensure that there is made available to the Trustee such information as the Trustee may reasonably require in respect of any matter relating to the Trust.
- 4.5.12 The Management Company shall not be under any liability except such liability as may be expressly assumed by it under the Rules and this Deed nor shall the Management Company (save as herein otherwise provided) be liable neither for any act or omission of the Trustee nor for anything except its own negligence or willful breach of duty hereunder. If for any reason it becomes impossible or impracticable to carry out the provisions of this Deed the Management Company shall not be under any liability there for or thereby and it shall not incur any liability by reason of any error of law or any matter or thing done or suffered or omitted to be done in good faith hereunder.

4.6. DIRECTORS OF THE MANAGEMENT COMPANY

Name	Address	Position	Other Directorships
Mr. Arif Habib	86/2, 10 th Street Khayaban-e-Sehar, Defence Housing Authority, Karachi	Chairman	Arif Habib Securities Ltd. Arif Habib Equity (Pvt.) Ltd. Pakistan Premier Fund Ltd. Thatta Cement Ltd. Rotocast Engineering (Pvt.) Ltd. Reliance Exports (Pvt.) Ltd. Sukh Chayn Gardens (Pvt.) Ltd. Essa Textiles & Commodities (Pvt.) Ltd. Nooriabad Spinning Mills (Pvt.) Ltd.
Mr. John Kirkham	28 The Charter Road, Woodford Green, Essex, IG8 9QU, UK	Vice Chairman	World Era Ltd. Fund Consulting Ltd.
Mr. Nasim Beg	F 61/6, Block 4, Clifton, Karachi	Chief Executive	Haroon Oils Ltd. First International Investment Bank Ltd. Wazir Ali Industries Ltd. Rotocast Engineering (Pvt.) Ltd. Essa Cement Industries Ltd. Reliance Exports (Pvt.) Ltd.
Mr. Asadullah Khawaja	81/2, Phase VI, Khayaban-e-Bahria, Defence Housing Authority, Karachi	Director	Packages Ltd. PICIC Commercial Bank Ltd. Murree Brewery Company Ltd. Pakistan Credit Rating Agency (Pvt.) Ltd.
Mr. Sirajuddin Cassim	D-43 Block 9, KDA Scheme No.5 Kehkashan, Clifton, Karachi	Director	Arif Habib Securities Ltd. Sigma Leasing Corporation Sirajuddin Cassim (Pvt.) Ltd. D. R. H. Logistics Pakistan (Pvt.) Ltd.
Mr. Muhammad Yousuf	JM 4/775 Mustafa Garden, Jamshed Road, Karachi	Director	Arif Habib Securities Ltd.
Mr. Samad A. Habib	86/2, 10 th Street, Khayaban-e-Sehar, Defence Housing Authority, Karachi	Director	Arif Habib Securities Ltd. Pakistan Premier Fund Ltd. Arif Habib Ltd. Arif Habib Equity (Pvt.) Ltd. Rotocast Engineering (Pvt.) Ltd. Reliance Exports (Pvt.) Ltd. Thatta Cement Ltd. Nooriabad Spinning Mills (Pvt.) Ltd.
Mr. Salim Chamdia	14/1, 2nd Gizri Street, Phase IV, DHA, Karachi	Director	Salim Chamdia Securities (Pvt.) Ltd. Lucky Cotton Mills (Pvt.) Ltd. Essa Textiles & Commodities (Pvt.) Ltd. Sun Textile Mills (Pvt.) Ltd. Pakistan Premier Fund Ltd. Reliance Exports (Pvt.) Ltd. Nooriabad Spinning Mills (Pvt.) Ltd.

PARTICULARS OF DIRECTORS

4.6.1 Mr. Arif Habib

Mr. Arif Habib is the Chairman and Chief Executive of Arif Habib Securities Ltd., a listed corporate brokerage house. He has been elected Chairman/President of the Karachi Stock Exchange on five different occasions. Mr. Habib has been actively involved in reforming of the capital markets in Pakistan. Mr. Habib has a bachelor's degree in commerce and has been in the stock brokerage business since 1971.

4.6.2 Mr. John Kirkham

Mr. John Kirkham is a fund management professional with proven ability to build investment and fund management business. Mr. Kirkham has built a number of companies from inception. He has been in the financial services industry since 1970 of which a substantial portion has been in the asset management sector, both in the developed, as well as the emerging markets.

4.6.3 Mr. Nasim Beg, Chief Executive

Mr. Nasim Beg is the founder and Chief Executive of Arif Habib Investment Management Ltd. He qualified as a Chartered Accountant in 1970 and has over the years worked in the financial sector as well as industry. His experience in the financial sector consists of both the Pakistan domestic market as well as the international markets.

4.6.4 Mr. Asadullah Khawaja, Director

Mr. Asadullah Khawaja is a former Managing Director of ICP. With 34 years at ICP he is one of the most experienced persons in Pakistan's mutual fund business. He has represented ICP on the Boards of several listed companies including as Chairman of Pakistan Industrial Credit & Investment Corporation Ltd. (PICIC). Mr. Asadullah Khawaja, a graduate in Economics has attended several investment and finance courses at some of the best institutions and universities internationally. He is the Resident Director of PACRA in Karachi, a leading credit rating agency.

4.6.5 Mr. Sirajuddin Cassim, Director

Mr. Sirajuddin Cassim is a member of Institute of Chartered Accountants of Pakistan. He started his career as partner in the then Daudally Siraj & Company, Chartered Accountants and since 1985 is engaged in financial and investment advisory and corporate consultancy services. He has been a member of Karachi Stock Exchange since July 1976 and is currently the nominee Director of Sirajuddin Cassim (Pvt) Ltd. a corporate member of the KSE since June 2001. He has served on the board of Directors of the KSE in the years 1990 and 1991 and was also elected as Vice President of KSE in 1993 and as President in 1995. He also served as chairman of CDC in 1995. He also served as member of the Taxation and Fiscal and Banking and Fiscal sub-committees of the Karachi Chamber of Commerce and Industries.

4.6.6 Mr. Mohammad Yousuf, Director

Mr. Muhammad Yousuf heads the securities market division at Arif Habib Securities Ltd. He has been in the securities market since 1969.

4.6.7 Mr. Samad A. Habib, Director

Mr. Samad Habib is an executive director of Arif Habib Securities Ltd. He holds Masters degree in Business Administration.

4.6.8 Mr. Salim Chamdia, Director

Mr. Salim Chamdia is Chief Executive of Salim Chamdia Securities (Pvt.) Ltd., and an experienced veteran of the Karachi Stock Exchange. He has held both the chairmanship of the Karachi Stock Exchange and the National Commodity Exchange.

4.6.9 Syed Ajaz Ahmed, Company Secretary

Syed Ajaz Ahmed, ACMA, LLB, B.Com. Having graduated in 1969, he has acquired work experience in the financial services industry as well as in industrial undertakings. He is the CEO of Pakistan Premier Fund of which AHIML is the investment adviser.

4.7. FINANCIAL SUMMARY OF LISTED COMPANIES HAVING COMMON DIRECTORS

4.7.1 Arif Habib Securities Limited

	Rupees in million				
	2004	2003	2002	2001	2000
Profit before tax	1,753.90	767.32	265.40	140.87	230.69
Profit after tax	1,705.33	751.92	253.59	132.56	228.47
Paid up Capital	80.00	60.00	50.00	50.00	50.00
Shareholders' Equity	3,000.49	1,415.16	723.24	494.65	387.09
Total Assets	3,222.75	2,178.95	803.20	1,091.12	501.06
Earning per share (Rs.)	213.17	125.32	50.72	26.51	45.69
Cash dividend (%)	150.00%	100.00%	50.00%	50.00%	10.00%
Bonus (%)	150.00%	33.33%	20.00%	-	-

4.7.2 Century Insurance

	Rupees in million				
	2004	2003	2002	2001	2000
Profit before tax	70.89	29.91	53.66	40.68	32.90
Profit after tax	48.40	22.25	38.68	25.49	20.60
Paid up Capital	125.44	109.08	90.90	75.75	63.13
Shareholders' Equity	193.99	158.13	144.98	113.87	94.69
Earning per share (Rs.)	3.86	1.77	4.25	2.80	3.26
Cash dividend (%)	10.00%	10.00%	10.00%	10.00%	10.00%
Bonus (%)	20.00%	15.00%	20.00%	20.00%	20.00%

4.7.3 Pakistan Premier Fund Limited (Formerly KASB Premier Fund Limited)

	Rupees in million				
	2004	2003	2002	2001	2000
Profit after tax	445.98	336.61	20.41	18.58	66.74
Net Assets	1,221.91	650.93	378.51	327.92	309.34
NAV per share (Rs.)	18.42	16.27	9.45	8.19	7.73
Earning per share (Rs.)	7.43	8.41	0.51	0.46	1.66
Cash dividend (%)	12.50%	-	5.00%	3.50%	-
Bonus (%)	25.00%	12.50%	-	-	-

4.7.4 Haroon Oils Limited

	Rupees in million				
	2004	2003	2002	2001	2000
Profit before tax	5.76	3.44	(5.55)	4.91	(10.02)
Profit after tax	1.37	1.85	(7.52)	2.52	(13.65)
Paid up Capital	8.00	8.00	8.00	8.00	8.00
Shareholders' Equity	29.25	28.99	26.40	33.92	32.60
Earning per share (Rs.)	1.72	2.31	(9.40)	3.14	17.06
Cash dividend (%)	14.00%	13.00%	-	15.00%	-
Bonus (%)	-	-	-	-	-

4.7.5 First International Investment Bank Limited

Rupees in million

	2004	2003	2002	2001	2000
Profit before tax	48.04	89.93	62.50	71.94	32.05
Profit after tax	42.01	44.85	43.12	45.94	26.20
Paid up Capital	364.50	230.00	200.00	200.00	180.00
Shareholders' Equity	571.43	496.32	444.29	363.90	345.32
Earning per share (Rs.)	1.15	1.95	2.16	2.30	1.45
Cash dividend (%)	-	-	-	15.00%	10.00%
Bonus (%)	15.00%	15.00%	15.00%	-	11.11%

4.7.6 Wazir Ali Industries Limited

Rupees in million

	2004	2003	2002	2001	2000
Profit before tax	(55.22)	(25.68)	10.60	(20.83)	15.63
Profit after tax	(60.64)	(36.53)	2.31	(29.97)	7.36
Paid up Capital	76.05	76.06	76.06	76.06	51.98
Shareholders' Equity	15.83	22.29	58.83	56.52	27.32
Total Assets	237.25	301.27	311.55	281.24	299.22
Earning per share (Rs.)	(7.97)	(4.80)	0.30	(4.91)	1.42
Cash dividend (%)	-	-	-	-	-
Bonus (%)	-	-	-	-	-

4.7.7 Packages Limited

Rupees in million

	2004	2003	2002	2001	2000
Profit before tax	1,192.32	1,036.90	797.23	514.44	551.22
Profit after tax	963.20	813.51	655.37	424.88	428.70
Paid up Capital	475.37	475.37	475.37	475.37	411.58
Shareholders' Equity	4,191.86	3,632.72	2,819.21	2,496.60	2,182.94
Earning per share (Rs.)	20.26	17.11	13.79	8.94	9.47
Cash dividend (%)	85.00%	85.00%	70.00%	45.00%	42.00%
Bonus (%)	-	-	-	-	10.00%

4.7.8 PICIC Commercial Bank Limited

Rupees in million

	2004	2003	2002	2001	2000
Profit before tax	1,130.14	825.07	509.07	295.84	116.75
Profit after tax	900.08	621.41	319.25	111.56	57.60
Paid up Capital	1,823.25	1,072.50	825.0	500.0	500.0
Shareholders' Equity	3,529.39	2,219.27	2,301.95	949.09	666.15
Total Assets	52,007.61	40,133.85	27,982.00	13,464.00	8,718.00
Earning per share (Rs.)	4.93	5.79	4.30	1.78	1.14
Cash dividend (%)	15.00%	15.00%	-	-	-
Bonus (%)	25.00%	30.00%	-	-	25.00%

4.7.9 Sigma Leasing Corporation Limited

Rupees in million

	2004	2003	2002	2001	2000
Profit before tax	42.33	28.30	20.60	12.32	24.65
Profit after tax	33.17	12.30	20.23	11.01	24.27
Paid up Capital	200.00	200.00	150.00	100.00	100.00
Shareholders' Equity	245.35	244.23	182.98	128.95	121.44
Total Assets	1,045.44	636.24	511.68	401.50	331.66
Earning per share (Rs.)	1.66	0.61	1.39	1.10	2.42
Cash dividend (%)	13.00%	3.50%	8.50%	3.50%	20.00%
Bonus (%)	-	-	-	-	-

4.7.10 Murree Brewery Company Limited

Rupees in million

	2004	2003	2002	2001	2000
Profit before tax	121.60	81.94	30.77	37.90	67.52
Profit after tax	88.16	66.07	25.07	24.40	44.52
Paid up Capital	30.68	30.68	49.79	49.79	39.83
Shareholders' Equity	816.10	753.03	741.17	334.05	322.09
Total Assets	1,198.77	1,098.41	1,023.77	580.09	515.09
Earning per share (Rs.)	28.73	21.53	5.03	4.90	11.17
Cash dividend (%)	35.00%	20.00%	25.00%	-	-
Bonus (%)	25.00%	20.00%	-	-	-

4.8. MAIN SPONSOR

The main sponsor of the Management Company is Arif Habib Securities Limited ("AHSL"). AHSL is a public limited company listed on the Karachi Stock Exchange and registered with the Securities and Exchange Commission of Pakistan under the Brokers and Agents Registration Rules, 2001. It is one of the largest brokerage operations on the Exchange and a leading provider of financial services. Due to its excellent management, the company has made profits in every year since its incorporation, with a current balance sheet of over Rs 6.2 billion with equity of over Rs 3.7 billion.

AHSL was incorporated as a Public Limited Company under the Companies Ordinance, 1984 on November 14, 1994. The Company was incorporated to continue the securities brokerage business successfully carried on by Mr. Arif Habib since 1989 as a sole proprietor under the name of Arif Habib. AHSL was listed on all three stock exchanges in June 2001 with a public offer of 1.25 million shares worth Rs. 100 million that was over-subscribed by around four-and-a-half times. Due to its performance the KSE has recognized the company as one of the 'Top 25 Companies' all three times since its listing.

AHSL has an impressive record in transactions ranging from new listings and public offerings, to offers for sale, block sales/tenders, private placements (both domestically and internationally), and underwriting arrangements. AHSL's financial services are characterized by a dedication to excellence and attention to client needs. The company is a corporate member of the Karachi, Lahore, and Islamabad Stock Exchanges as well as of the National Commodity Exchange.

4.9. THE TRUSTEE

The Trustee for the Scheme is the Central Depository Company of Pakistan Limited (CDC), a company incorporated in 1993 under the Companies Ordinance, 1984 and registered with the Securities & Exchange Commission of Pakistan (SECP) as a Central Depository Company, with its registered office at 8th Floor, Karachi Stock Exchange Building, Stock Exchange Road, Karachi.

CDC was formed inter alia, for facilitating efficient, risk free and cost effective settlement of securities transactions in accordance with the international standards to cope up with the ever-rising volume of trading in securities at the Stock Exchanges in Pakistan. Given CDC's significance, the legislature enacted a special law, known as Central Depositories Act, 1997 and the SECP has also approved the Regulations made pursuant to the said Act governing the operational and other aspects of the Central Depository System. The Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 (the Rules) allow a CDC to act as the Trustee of Close-end and Open-ended schemes set up under the Rules. SECP has approved appointment of CDC as trustee of PCMF vide its letter No. NBFC-II-JD (R)/ AHIM-PCM/ 497 dated 30 September 2003.

4.9.1 Shareholders

The shareholders of CDC include the Karachi Stock Exchange (Guarantee) Limited, Lahore Stock Exchange (Guarantee) Limited, Citibank Overseas Investment Corporation, Muslim Commercial Bank Limited, Habib Bank Limited, National Investment Trust Limited, Investment Corporation of Pakistan, Pakistan Industrial Credit & Investment Corporation Limited, Islamabad Stock Exchange (Guarantee) Limited, Crescent Steel and Allied Products Limited, Crescent Leasing Corporation Limited, Shakarganj Mills Limited, International General Insurance Company of Pakistan Limited, Crescent Standard Investment Bank Limited and Crescent Standard Business Management (Pvt.) Limited.

4.9.2 Professional and Independent Management

CDC is run by professional management and most of the Directors on Board of CDC represent their respective investor institutions, without any personal stake in the Company. The Chief Executive is a highly qualified professional without any affiliation with any investor institution.

4.9.4 Trustee Division

CDC has set up a separate Trustee Division with a senior professional responsible for its day-to-day functions. The Trustee Division has the benefit of CDC's structure.

4.9.5 CDC's Mission Statement

CDC is committed to provide secured and dependable services to the capital and financial markets in an efficient and cost effective manner comparable to best international practices.

4.10. TRUSTEE: DUTIES AND RESPONSIBILITIES

- 4.10.1 The Trustee shall comply with the provisions of this Deed and the Rules, for any act or matter to be done by it in the performance of its duties and such acts or matters may also be performed on behalf of the Trustee by any officer or responsible official of the Trustee or by any nominee or agent appointed by the Trustee in consultation with the Management Company. Provided that the Trustee shall be responsible for the acts and omissions of all persons to whom it may delegate any of its duties, as if these were its own acts and omissions and shall account to the Trust for any loss in value of the Fund Property where such loss has been caused by negligence or any reckless act and/or omission of the Trustee or any of its directors, officers, nominees or agents.
- 4.10.2 The Trustee shall exercise all due diligence and vigilance in carrying out its duties and in protecting the interests of the Unit Holders. The Trustee shall not be under any liability on account of anything done or not done by the Trustee in good faith in accordance with or in pursuance of any request of the Management Company, provided they are not in conflict with the provisions of this Deed or the Rules. Whenever pursuant to any provision of this Deed any Unit, notice, direction, instruction or other communication is to be given by the Management Company to the Trustee, the Trustee may accept as sufficient evidence thereof a document signed or purporting to be signed on behalf of the Management Company by any person whose signature the Trustee is for the time being authorized in writing by the Management Company to accept.
- 4.10.3 The Trustee shall not be liable for any loss caused to the Fund or to the value of the Fund Property due to any elements or circumstances beyond its reasonable control.
- 4.10.4 The Trustee shall ensure that the sale, issue, repurchase, redemption and cancellation of units effected by a scheme are carried out in accordance with the provisions of the constitutive documents;
- 4.10.5 The Trustee shall ensure that the methods adopted by the management company in calculating the value of units are adequate to ensure that the sale, issue, repurchase, redemption and cancellation prices are calculated in accordance with the provisions of the constitutive documents;
- 4.10.6 The Trustee shall carry out the instructions of the asset management company in respect of investments unless they are in conflict with the provisions of the offering or constitutive documents;
- 4.10.7 The Trustee shall ensure that the investment and borrowing limitations set out in the constitutive documents and the conditions under which the scheme was authorized are complied with;
- 4.10.8 The Trustee shall issue a report to be included in the annual report to be sent to unit holders whether, in the trustee's opinion, the asset management company has in all material respects managed the scheme in accordance with the provisions of the constitutive documents, if the asset management company has not done so, the respects in which it has not done so and the steps which the trustee has taken in respect thereof;
- 4.10.9 The Trustee insure that unit certificates are not issued until subscription moneys have been paid.

- 4.10.10 The Management Company shall, after obtaining approval of the Trustee, from time to time appoint, remove or replace one or more Distribution Company(s) for carrying the Distribution Function at one or more locations, on terms and conditions to be incorporated in the Distribution Agreement to be entered into between the Distribution Company and the Management Company.
- 4.10.11 Neither the Trustee or the Custodian (if Trustee has appointed another person as Custodian) nor the Management Company or any of their Connected Persons shall sell or purchase or deal in the sale of any Investment or enter into any other transaction with the Trust save in the capacity of an intermediary.
- 4.10.12 Subject to the Rules, any transaction between the Trust and the Management Company or any of their respective Connected Persons as principal shall only be made with the prior written consent of the Trustee.
- 4.10.13 The Trustee shall, in consultation with the Management Company, from time to time appoint, remove or replace one or more Custodian for performing the Custodian Function at one or more locations, on terms and conditions to be agreed between the Custodian and the Trustee and approved by the Management Company.
- 4.10.14 The Trustee shall make available or ensure that there is made available to the Management Company such information as the Management Company may reasonably require from time to time in respect of the Fund Property and all other matters relating to the Trust.
- 4.10.15 The Trustee shall be entitled to require the Auditors to provide such reports as may be agreed between the Trustee and the Management Company as may be considered necessary to facilitate the Trustee in issuing the certification required under the Rules. The Trustee shall endeavor to provide the certification at the earliest date reasonably possible.
- 4.10.16 Trustee shall, if requested by Management Company and may if it considers necessary for the protection of Fund property or safeguarding the interest of Unit Holders, institute or defend any suit, proceeding, arbitration or inquiry or any corporate or shareholders' action in respect of the Fund Property or any part thereof, with full powers to sign, swear, verify and submit pleading and affidavits, to file documents, to give evidence, to appoint and remove counsel and to do all incidental acts, things and deeds through the Trustee's authorized directors and officers. All costs, charges and expenses (including reasonable legal fees) incurred in instituting or defending any such action shall be borne by the Trust and the Trustee shall be indemnified against all such costs, charges and expenses: Provided that no such indemnity shall be available in respect of any action taken against the Trustee for negligence or breach of fiduciary duties in connection with its duties as the Trustee under this Deed or the Rules. For the avoidance of doubt it is clarified that notwithstanding anything contained in this Deed, the Trustee and the Management Company shall not be liable in respect of any losses, claims, damages or other liabilities whatsoever suffered or incurred by the Trust arising from or consequent to any such suit, proceeding, arbitration or inquiry or corporate or shareholders' action or otherwise howsoever and (save as herein otherwise provided), all such losses, claims, damages and other liabilities shall be borne by the Fund.
- 4.10.17 The Trustee shall not be under any liability except such liability as may be expressly assumed by it under the Rules and this Deed nor shall the Trustee (save as herein otherwise provided) be liable for any act or omission of the Management Company nor for anything except its own negligence or willful breach of duty hereunder. If for any reason it becomes impossible or impracticable to carry out the provisions of this Deed the Trustee shall not be under any liability therefore or thereby and it shall not incur any liability by reason of any error of law or any matter or thing done or suffered or omitted to be done in good faith hereunder.

4.11. THE DISTRBUTION COMPANIES

HEAD OFFICE OF THE MANAGEMENT COMPANY

2/1, R.Y.16, Old Queens Road, Karachi-74000.

TEL: (092-21) 111-468-378 (111-INVEST), 2470153-62, 2470210-19.

Fax: (092-21) 247-0351, 247-0337.

Email: marketing@arifhabib.com.pk.

Website: www.arifhabib.com.pk

BRANCHES /AREA OFFICES OF MANAGEMENT COMPANY

Karachi	Lahore	Islamabad/Pindi	Multan
<p>SULMAN UMER AREA REP. OFFICE SUITE # 301,12-C 7th ZAMZAMA LANE PHASE V, D.H.A KARACHI Tel: 5301969 Fax: 5301968 Email: salman.umer@arifhabib.com.pk</p>	<p>BEG ASSOCIATES (Pvt) Ltd AREA SUPERVISOR SUITE# 219, 2ND FLOOR CENTURY TOWERS 75-L MAIN BOULEVARD, GULBERG III LAHORE TEL: 111-468-378, 5842672, 5842673. FAX: 5840487. Email: salim.beg@arifhabib.com.pk</p>	<p>ZAHRUDDIN KHAN 60 - A, CANNING ROAD RAWALPINDI 46000 TEL: 111-468-378 (111-INVEST), 5564093 FAX: 5563091 email: zahir.khan@arifhabib.com.pk</p>	<p>N.A.Z CONSULTANTS 143-144, MALL PLAZA MULTAN CANTT. TEL: 111-468-378 (111-INVEST), 4546235, 4542924 Fax: 061-4542924 Cell: 0300-6304490 email: nawazish.zaidi@arifhabib.com.pk</p>
Peshawar	Faisalabad		
<p>HAROON AYUB WAZIR AREA REP. OFFICE 1ST FLOOR, STATE LIFE BUILDING 34 THE MALL. PESHAWAR TEL: (091) 287696 FAX: (091) 287697 EMAIL: haroon.ayub@arifhabib.com.pk</p>	<p>AREA REPRESENTATIVE OFFICE P-838, PLOT # 75, LIAQUAT ROAD FAISALABAD TEL: 111-468-378 (111-INVEST), (041) 646642, 646673 EMAIL: aezid.mahmood@arifhabib.com.pk</p>		

BRANCHES OF BANK AL HABIB LIMITED

Karachi	Lahore	Islamabad	Multan
<p>BANK AL-HABIB LIMITED MACKINNON'S BUILDING, I.I.CHUNDRIGAR ROAD, KARACHI</p> <p>BANK AL-HABIB LIMITED 16-C, COMMERCIAL LANE 3, PHASE V, ZAMZAMA BOULEVARD, D. H.A KARACHI</p> <p>BANK AL-HABIB LIMITED B-39, AL-SHAMS CENTRE, BLOCK 13-A, UNIVERSITY ROAD, GULSHAN-E-IQBAL KARACHI</p> <p>BANK AL-HABIB LIMITED ROOM NO. 4-6, STOCK EXCHANGE BUILDING, STOCK EXCHANGE ROAD KARACHI</p>	<p>BANK AL-HABIB LIMITED 87,SHAHRAH-E-QUAID-E- AZAM, LAHORE</p> <p>BANK AL-HABIB LIMITED 3-E, BLOCK E, GROUND FLOOR, MAIN MARKET, GULBERG II LAHORE</p>	<p>BANK AL-HABIB LIMITED 90-91, RAZIA SHARIF PLAZA JINNAH AVENUE, BLUE AREA ISLAMABAD</p>	<p>BANK AL-HABIB LIMITED 126-C, OLD BAHAWALPUR ROAD MULTAN</p>
Peshawar	Faisalabad	Quetta	Rawalpindi
<p>BANK AL-HABIB LIMITED 105-106, F.C. TRUST BUILDING SONEHRI MASJID ROAD PESHAWAR</p>	<p>BANK AL-HABIB LIMITED BANK SQUARE, OUTSIDE KUTCHERY BAZAR, FAISALABAD</p>	<p>BANK AL-HABIB LIMITED MANNAN CHOWK, M.A.JINNAH ROAD QUETTA</p>	<p>BANK AL-HABIB LIMITED 40/3, JHANZEB CENTRE, BANK ROAD, RAWALPINDI CANTT</p>

BRANCHES OF STANDARD CHARTERED BANK

Karachi	Karachi	Lahore	Islamabad
<p>SCB-MAIN BRANCH I.I. CHUNDRIGAR ROAD, KARACHI TEL: 111-600-600</p> <p>SCB-I.I. CHUNDRIGAR ROAD, OPP: HABIB BANK KARACHI TEL: 111-600-600</p> <p>SCB-HOTEL METROPOLE ABDULLAH HAROON ROAD KARACHI TEL: 5672283</p> <p>SCB GULSHAN SB 9, BLOCK 13B GULSHAN-E-IQBAL, UNIVERSITY ROAD KARACHI TEL: 4800883</p> <p>SCB-GARDEN BRANCH KANDAWALLA BUILDING M.A.JINNAH ROAD KARACHI TEL: 2226935</p> <p>SCB-NURSERY BRANCH</p>	<p>SCB-HILL PARK SNPA 16-A/1, K.C.H.S UNION LTD SHAHEED MILLAT ROAD KARACHI TEL: 4544900</p> <p>SCB-DEFENCE BRANCH 12-C, SHAHBAZ LANE 2 PHASE VI, D.H.A KARACHI TEL: 5843002</p> <p>SCB-NAZIMABAD BRANCH D-15, BLOCK H, NORTH NAZIMABAD KARACHI TEL: 6705584</p> <p>SCB-GULISTAN-E-JOHAR PLOT NO SB 38, AL FIZA TOWER SHOP NO 8 & 9 GULISTAN-E-JOHAR KARACHI TEL: 4529195</p>	<p>SCB- MALL BRANCH PREMIUM SERVICE BANKING COUNTER SHAHRAH-E-QUAID-E- AZAM, THE MALL P O BOX NO. 6, LAHORE TEL: 111-600-600</p> <p>SCB-DEFENCE BRANCH 308 Z,(COMMERCIAL) PHASE III D.H.A LAHORE TEL: 042-5899129</p> <p>SCB-NGT BRANCH FB-4, AWAMI COMPLEX USMAN BLOCK, NEW GARDEN TOWN LAHORE TEL: 042-5833568</p> <p>SCB-TUFAIL ROAD LAHORE CANTT TEL: 6687727</p> <p>SCB-GULBERG BRANCH 131-E/1 GULBERG III</p>	<p>STANDARD CHARTERED BANK DIPLOMATIC ENCLAVE BRANCH PREMIUM SERVICE BANKING COUNTER ISLAMABAD TEL: 111-600-600</p> <p>SCB-BLUE AREA BRANCH 61-A, SAUDI PARK TOWER BLUE AREA ISLAMABAD TEL: 051-2800208</p> <p>SCB-MARKAZ BRANCH SHOP # 5,6,7, PLOT # 9 F11 MARKAZ ISLAMABAD TEL: 051-2113626</p> <p>RAWALPINDI BRANCH</p> <p>SCB-55, HAIDER ROAD RAWALPINDI TEL: 5564287</p>

14-A, BLOCK -6, SHAHRA-E-FAISAL KARACHI TEL: 4310520 SCB-ALLAMA IQBAL ROAD 72-S, BLOCK 2, PECHS KARACHI TEL: 4529195 SCB-CLIFTON BRANCH 10, KHAYABAN-E-ROOMI WORLD TRADE CENTRE, CLIFTON KARACHI TEL: 5867777	HYDERABAD BRANCH SCB- SHOP NO 19 & 20, GROUND FLOOR QUAID-E-AZAM SHOPPING CENTRE CMSS TEL: HYDERABAD	LAHORE TEL: 5877192 SCB-PECO BRANCH NO 879D, FAISAL TOWN PECO ROAD, LAHORE TEL: 042-5203123 SCB-SHADMAN BRANCH 119 SHADMAN COLONY LAHORE TEL: 7523503 SCB-JOHAR BRANCH 13-A, BLOCK-G, JOHAR TOWN LAHORE TEL: 042-5313248	SCB-SATELLITE TOWN BUILDING NO 29, B-1, NAZIR PLAZA SATELLITE TOWN CNANDNI CHOWK RAWALPINDI TEL:4844810BANK AL- HABIB LIMITED 126-C, OLD BAHAWALPUR ROAD MULTAN
Peshawar	Faisalabad	Quetta	Sialkot
STANDARD CHARTERED BANK 35 - SHAHRAH-E-QUAID-E- AZAM, PESHAWER CANTT Tel: 275665 / 275146	STANDARD CHARTERED BANK RAILWAY ROAD FAISALABAD TEL : 041-634480	STANDARD CHARTERED BANK SHAHRA-E-MOHD ALI JINNAH ROAD QUETTA TEL: 081-821438	SCB-A-97, AZIZ SHAHEED ROAD SIALKOT CANTT SIALKOT TEL: 0432-264528 AISALABAD TEL : 041-634480

BRANCHES OF UNION BANK LIMITED

Karachi	Lahore	Islamabad	Multan
UNION BANK LIMITED AL-RAHIM TOWER, I.I. CHUNDRIGAR ROAD, KARACHI	UNION BANK LIMITED 39-EMPRESS ROAD, LAHORE	UNION BANK LIMITED 1ST FLOOR, 1-B AWAN ARCADE, BLUE AREA, ISLAMABAD	UNION BANK LIMITED ABDALI ROAD, MULTAN
Peshawar	Faisalabad	Quetta	Rawalpindi
UNION BANK LIMITED 6-SADDAR ROAD PESHAWAR	UNION BANK LIMITED TAJ PLAZA, KOTWALI ROAD, FAISALABAD	UNION BANK LIMITED M.A.JINNAH ROAD, QUETTA	UNION BANK LIMITED 2-THE MALL, RAWALPINDI-CANTT
Gujrat	Sialkot	Jhelum	Sargodha
UNION BANK LIMITED SHAFIQ PLAZA, G.T. ROAD, GUJRAT	UNION BANK LIMITED ABBOT ROAD, SIALKOT	UNION BANK LIMITED OPP. MUNICIPAL COMMITTEE, CIVIL LINES, JHELMUM	UNION BANK LIMITED TRUST PLAZA, FATIMA JINNAH ROAD SAGODHA
Gujranwala			
UNION BANK LIMITED TRUST PLAZA, G.T. ROAD GUJRANWALA			

BRANCHES OF BANK OF PUNJAB

Lahore	Lahore		
BOP- MODEL TOWN C - BLOCK MODEL TOWN LAHORE TEL: 042-9230451,9230254	BOP-D.H.A BRANCH 1-L, PHASE 1, COMMERCIAL AREA D.H.A LAHORE TEL: 5722885		

OTHERS

Karachi	Karachi		
ARIF HABIB SECURITIES LIMITED 60-63 KARACHI STOCK EXCHANGE BUILDING STOCK EXCHANGE ROAD KARACHI TEL: 241 5213-15	TAURUS SECURITIES LIMITED SUITE # 604, 6TH FLOOR PROGRESSIVE PLAZA BEAUMONT ROAD CIVIL LINES KARACHI TEL: 568 9855		

This list is based on the current address of the Area offices of the Management Company and the address of the current authorised branches of Distributors and can be changed due to relocation of offices or addition or deletion of authorised branches and additional distributors.

4.12. THE EXTERNAL AUDITOR

A.F Ferguson & Company
Chartered Accountants
State Life Building No.1
I. I. Chundrigar Road,
Karachi

4.13. THE REGISTRAR

Gangjees Registrar Services (Pvt.) Ltd.
516, Clifton Centre
Clifton Centre, Karachi

4.14. THE LEGAL ADVISOR

Bawaney & Partners
404, 4th Floor,
Beaumont Plaza
6-c1-10,
Beaumont Road,
Civil Lines.
Karachi.

5. PART V: CHARACTERISTICS OF UNITS

5.1. UNITS

PCMF is divided into Units having a par value of Rs.10 each. This price was applicable to such Certificate (now Units) that were issued on or before the Initial Offer. After the Conversion of the Fund Units shall be issued on the basis of their Net Asset Value (NAV), which shall form the base for determining the Offer and Repurchase Prices. All Units and fractions thereof represent an undivided share in the Fund and rank pari passu as to their rights in the net assets, earnings, and the receipt of the dividends and distributions. Each Unit Holder has a beneficial interest in PCMF proportionate to the Units held by such Unit Holder. However, for the convenience of investors, the Management Company may issue Units with different options with differing quantum of the Front-end Load added to the NAV for determining the Offering Price thereof and differing levels of Back-end load deducted for determining the Redemption Price.

5.1.1 CD UNITS

Type CD Units are meant for those making sizeable investment and remain invested for medium to long term and have the following characteristics:

Minimum Investment:	The Management Company may from time to time amend the minimum amount of initial investment that is required for opening an account with the Registrar. At the initial stage, the minimum amount of investment to open an account is Rs. 10,000,000 and the minimum amount for adding to an existing account is Rs.1,000,000 per transaction.
Front End Load:	2.5% including Transaction Costs of 0.25%
Back End Load:	None
Distribution Method:	All normal distribution to Type CD Units will be as cash dividend only, even if distribution for other types of Units is in the form of Bonus Units

Reinvestment of Dividend

Dividends shall be automatically reinvested in additional Units. However, a Unit Holder may instruct the Management Company in writing by completing the prescribed Form not to re-invest the future dividends to which he will be entitled. In such an event, future dividends shall be paid by way of transfer to his designated bank account.

The Offer Price for the Units to be issued will be the NAV on the close of the period for which the dividend is being distributed, as certified by the Auditors, after appropriation of the income of that year

Payment of Dividend

All payments for dividend shall be made by the Registrar by transfer of funds to the Unit Holder's (or the first named joint holder's or the charge-holder's) designated bank account. The dividend shall be transferred to the Unit Holder's designated banker within 30 days after the declaration of the dividend.

Dispatch of Dividend Advice

Dividend advice shall be dispatched to the Unit Holder's or the charge-holder's registered address within 30 days after the declaration of dividend.

- 5.1.2 The Management Company may offer additional types of Units through Supplementary Offering Documents or the Management Company may, at its discretion suspend issue of certain types of Units.

Investors can convert their investment between the types of Units under PCM. Such conversion will not attract any Transaction Cost.

The Management Company reserves the right to alter the minimum amounts stated hereinabove at its discretion. In the event the investment in any investor's account falls below the minimum level as a result of revised limits, changes in valuation, redemption, conversion, transfer or transmission, the Management Company may instruct the Registrar to either change the account/units to another type or to close such account by redeeming the Units in such accounts at the close of any accounting period at the price applicable to redemptions on such date.

5.2. MINIMUM AMOUNT OF INVESTMENT

The Management Company may from time to time amend the minimum amount of initial investment needed to open an account. Currently the minimum amount of investment is Rs. 5,000. The Management Company reserves the right to alter the minimum amounts stated hereinabove. In the event the investment in any investor's account falls below the minimum level as a result of revised limits, changes in valuation, redemption, conversion, transfer or transmission, the Management Company may instruct the Registrar to close such account by redeeming the Units in such accounts at the close of any accounting period at the price applicable to redemptions on such date.

5.3. LEGAL STATUS

All Units and fractions thereof represent an undivided share in the Fund and rank *pari passu* as to their rights in the net assets, earnings, and the receipt of dividends and distributions. Each Unit Holder has a beneficial interest in the Fund, proportionate to the Units held by such Unit Holder.

5.4. VALUATION OF PROPERTY

- 5.4.1 A security listed on a stock exchange shall be valued at its last sale price on such exchange on the date as of which it is valued, or if such exchange is not open on such date, then at its last sale price on the next preceding date on which such exchange was open and if no sale is reported for such date, the security shall be valued at an amount not higher than the closing asked price nor lower than the closing bid price.
- 5.4.2 An investment purchased and awaiting payment against delivery shall be included for valuation purposes as security held, and the cash account of the company shall be adjusted to reflect the purchase price, including brokers' commission and other expenses incurred in the purchase thereof but not disbursed as of the valuation date.
- 5.4.3 An investment sold but not delivered pending receipt of proceeds shall be valued at the net sale price.
- 5.4.4 A security bought or sold under a repurchase or reverse repurchase transaction, which has to be settled at a future date, shall be valued by taking the net affect of the complete transaction

into account. The value or loss accruing from such transaction shall be recognised taking into account the allocation of such value or loss over the period between the transaction date and the settlement date.

- 5.4.5 The value of any dividends, bonus-shares or rights which may have been declared on securities in the portfolio but not received by the company as of the close of business on the valuation date shall be included as assets of the company, if the security upon which such dividends, bonuses or rights were declared is included in the assets and is valued ex-dividend, ex-bonus or ex-rights as the case may be.
- 5.4.6 A security not listed or quoted on a stock exchange shall be valued at investment price or its break-up value as per last audited accounts, whichever is lower. However, a debt security which is not quoted on a stock exchange shall be valued on a basis of secondary market quotations for such security if there is an active secondary market for such security or on a basis (acceptable to the Auditors of the Trust) which takes into account the remaining life of the security, the value of any warrants, conversion rights etc., the prevailing market lending rates for the tenor and class of the issuer of the security, the ranking in seniority of the debt represented by the security and any other factors that may affect the value of the security.
- 5.4.7 Interest/mark-up accrued on any interest/mark-up bearing security in the portfolio shall be included as an asset of the fund if such accrued interest/mark-up is not otherwise included in the valuation of the security.
- 5.4.8 Any value accrued (or loss incurred), realised or otherwise, on any commitment entered into on behalf of the Trust;
- 5.4.9 Any other income accrued up to the date on which computation was made shall also be included in the assets.
- 5.4.10 All liabilities, expenses, taxes and other charges due or accrued up to the date of computation which are chargeable under this Trust Deed shall be deducted from the value of the assets.
- 5.4.11 For any asset class, where no specific method of valuation is prescribed in the Rules, the guidance from the Commission shall be obtained and valuation shall be done accordingly.

5.5. ISSUE OF UNITS

- 5.5.1 The Management Company has received all required approvals of this Offering Documents and issue of new Units and redemption of Units shall start from 21 November 2005.
- 5.5.2 Applications for issue of Units will be received at the authorized offices or branches of the Distribution Companies on all Business Days during business hours as announced by the Management Company from time to time
- 5.5.3 Except for the issuance of Units to the Initial Unit Holders due to the conversion of the Fund from a Closed-end Scheme to an Open-ended Scheme. Units shall be issued against an application for issuance of Units. An application for issuance of Units shall be made by completing the prescribed application form and submitting it with the payment by in such form as is prescribed by the Management Company in favour of the Trustee at the authorized

branch or office of any Distribution Company. The Distribution Company shall verify the particulars given in the application for issue of Units and ensure that the signature of any applicant or joint applicants for purchase of Units to any document required to be signed by him under or in connection with the application for issue of Units is verified by a banker or broker or other responsible person or otherwise authenticated to its or their reasonable satisfactions

5.5.4 Each applicant shall only be liable to pay the Offer Price of the Units to be subscribed by him and no further liability shall be imposed on him in respect of any Units held by him. The Units shall be issued only against receipt of full payment.

5.5.5 An application for issuance of Units shall deem to have been made in accordance with the provisions of the Offering Document or a Supplementary Offering Document, if such documents prescribe automatic issuance of Units under certain circumstances.

5.6. DETERMINATION OF OFFER PRICE

5.6.1 After the Conversion the Offer Price shall be calculated and announced by the Management

Company on the following basis:

The Offer Price shall be equal to the sum of:

- (a) The NAV of the Fund as valued according to 5.4 above;
- (b) Any Front-end Load;
- (c) Such amount as the Management Company may consider an appropriate provision for Duties and Charges;
- (d) Such amount as the Management Company may consider an appropriate provision for Transaction Costs.

The resulting sum will be divided by the number of Units outstanding in the fund and the resulting value shall be adjusted upwards to the nearest Paisa.

- 5.6.2 The Offer Price so determined shall apply to purchase requests, complete in all respects, received by the Distributor during the business hours (as announced by the Management Company from time to time) on that Business Day. In the event the Karachi Stock Exchange is closed on that day, the next Offer Price so determine shall apply

The Management Company will make arrangements, from time to time, for receiving purchase request from outside Pakistan and will disclose these arrangements through its website and its Distributors and agents outside Pakistan. In general, the Offer Price applicable to purchase requests received from outside Pakistan will be the Offer Price applicable on the date the Trustee receives the payments from international investors.

- 5.6.3 The Management Company may announce different Units with differing levels of Front-end load and Management Fees. Consequently, the Offer Price may differ for different types of Units issued and for different investors.

- 5.6.4 In the event that the amount paid as provision for payment of Duties and Charges pursuant to sub-Section 5.6.1(c) is insufficient to pay, in full, such Duties and Charges, the Management Company shall be liable for the payment, in full, of the amount of such Duties and Charges in excess of such provisions (except where such excess arises from any Duties and Charges levied with retroactive effect after the date of payment, in which case such excess shall be recovered from the Fund Property).

- 5.6.5 In the event that the amount paid as provision for payment of Duties and Charges pursuant to sub-Section 5.6.1(c) exceeds the relevant amount of Duties and Charges the Registrar shall issue additional Units or fractions thereof to the Unit Holder based on the price applicable to the Units issued against the relevant application.

- 5.6.6 The Offer Price determined by the Management Company shall be made available to the public at the office and branches of the Distribution Companies and, at the discretion of the Management Company, may also be published in at least one daily newspaper widely circulated in Karachi and be made available at its website

5.7 PROCEDURE FOR ISSUE OF UNITS

- 5.7.1 Who Can Apply: Any investor or any related group of investors qualified or authorized to purchase the Units may make applications for the issue of Units in the Fund. The onus for being so qualified lies with the investor and neither the Management Company, nor the Trustee, nor the Registrar nor the Distributors nor the Facilitators accept any responsibility in this regard. Application may be made by persons, pursuant to the procedures described in paragraph 5.7.2 below, including but not limited to:

- (a) Citizens of Pakistan resident in Pakistan: In respect of minors below 18 years of age applications may only be made by their guardians.
- (b) Companies, corporate bodies, financial institutions, banks, partners of a firm and societies incorporated in Pakistan so long as such investment is permitted under their respective memorandum and articles of association and/or bye-laws. In respect of trusts the trustees of such trust may make an application to buy the Units
- (c) Pakistanis resident abroad, foreign nationals and companies incorporated outside Pakistan can apply for Units subject to the regulations of the State Bank of Pakistan and the Government of Pakistan and any such regulations and laws that may apply to their place of residence, domicile and citizenship. The payment of dividends and redemption proceeds to such investors shall be subject to the relevant taxation and exchange regulations/laws. Any person making an application for the issue of Units shall be deemed to have warranted that he is duly authorised to purchase such Units.

- (d) Provident Funds constituted by companies registered under the Companies Ordinance, 1984, subject to conditions and investment limits as laid down in Employees' Provident Fund (Investment in Listed Securities) Rules, 1996, as amended from time to time, including by SROs.
- (e) Provident Funds, Pension Funds and Gratuity Funds constituted by organizations, other than companies under the Trusts Act, 1882.
- (f) Insurance companies formed under the Insurance Ordinance, 2000, including any amendments or substitutions thereof.
- (g) Non-profit organization under the Income Tax Rules, 2002 and any amendments or substitutions thereof.

5.7.2 The procedure hereinbelow is designed for paper-based transactions. The Management Company may at a later date introduce electronic/ internet based options for the transactions.

5.7.3 Before purchasing Units of the Fund an investor must open an account with the Management Company using the Investors Account Opening Form attached to this Offering Document.

- (a) Applications shall be accepted only if the investor designates a bank account. Such account of the investor shall be used for transferring any dividends and redemption proceeds. The investor may at any subsequent stage change the account to another bank account. If the bank account is not in Pakistan and/or denominated in Pakistani Rupee then any cost of conversion or transfer will be borne by the Unit Holder.
- (b) In case of individual applicants a photocopy of the National Identity Card of the applicant or any other form of identification acceptable to the Management Company.
- (c) In case of a body corporate or a registered society or a trust, (1) copy of the memorandum and articles of association/ Charter/ Byelaws or rules and regulations; (2) copy of the relevant resolution of the board of directors approving the investment (3) copy of power of attorney and/or relevant resolution of the board of directors delegating any of its officers to invest the funds and/ or to realize the investment and (4) copy of the National Identity Card of the officer to whom the authority has been delegated.
- (d) The Distribution Company will be entitled to verify the particulars given in the application form. In case of any incorrect information the application may be rejected if the applicant does not rectify the discrepancy. Management Company may require further details, if required
- (e) If subsequent to receipt of the application by the Distributor, but prior to issue of the Units, the application is found by the Registrar or the Distributor to be incomplete or incorrect in any material manner, the Registrar or the Distributor will advise the applicant in writing to remove the discrepancy, in the mean while the application will be held in abeyance for fifteen days and in the event the discrepancy is not removed in the said fifteen days, the amount will be refunded without any interest or mark-up. However, in the event Units have been issued and a material discrepancy is discovered subsequent to that, the Registrar or the Distributor will advise the applicant in writing to remove the discrepancy within fifteen days and if the investor, in the opinion of the Registrar, fails to remove the discrepancy without good cause, the Units shall be redeemed at the Redemption Price fixed on the date the Units are so redeemed. The Unit Holder shall not be entitled to any payment beyond the redemption value so determined.

- 5.7.4 After opening an account an account holder may purchase Units of the Fund using the Investment Application Form attached to this Offering Document. Payment for the Units must accompany the form.
- (a) Payment for Units can be made by banker's draft/pay-order, payable in Karachi.
 - (b) Payments can also be made by cheque drawn on any bank in Pakistan made payable to the "CDC- Trustees AHIM Funds" and crossed "Account Payee only" and must be drawn on a Bank in the same town as the Authorized Branch of the relevant Distribution Company to which the application form has been submitted is located. However, payment by cheques is subject to such conditions that the Management Company may impose from time to time. (The Management Company may impose such limits it deems fit as to the bank branch on which the cheque is drawn and as to the monetary limits on cheques, which may vary for various class of investors).
 - (c) Payment for Units in cash will not be accepted, except, by Banks who are also Distributors of the Fund. In this case the money may be deposited through a specifically designed paying-in form into an account in the name of the Trustee (CDC – Trustees AHIM Funds).
 - (d) Applicants must indicate their account number in the Investment Application Form except in cases where the Investor Account Opening Form is sent with the Investment Application Form.
 - (e) The applicant must obtain a copy of the application signed and stamped by an authorized officer of the Distributor acknowledging the receipt of the application, copies of other documents prescribed herein and the demand-draft, pay-order, cheque or deposit slip as the case may be. Cash can only be deposited in a bank account titled "CDC - Trustees AHIM Funds" maintained with designated banks and the investor must obtain a deposit pay-in slip for the amount being deposited. Acknowledgement for applications and payment instruments (other than cash) can only be validly issued by Distributors.
 - (f) The Management Company will make arrangements, from time to time, for receiving Account Opening Forms, Investment Request Forms and payments from outside Pakistan and will disclose these arrangements through its website and its Distributors and agents outside Pakistan.
- 5.7.5 All Forms can be obtained from the Management Company or any Distributor or Facilitator of the Management Company or downloaded from the Management Company website or requested from the Management Company by mail.
- 5.7.6 The Investor Account Opening Form and the Investment Application Form can be lodged with any Distributor or directly lodged with the Management Company. No other person (including Facilitators) are authorized to accept the forms or payment.
- 5.7.7 Allocation/Issue of Units:
- (a) The Offer Price determined at the end of the Business Day for Units of the Fund shall apply to all Investment Request Forms, complete in all respects including payment, received by the Management Company at its registered address during business hours (as announced by the Management Company from time to time) on that Business Day. In the event the Karachi Stock Exchange is closed on that day, the next Offer Price so determine shall apply
- Any Investment Request Forms received after business hours will be transferred to the next Business Day.

- (b) In the event payment has been accepted by cheque, the payment will be deemed to be completed on the date the cheque is received by the Management Company. However, the Management Company may impose such limits it deems fit as to the bank branch on which it is drawn and as to the monetary limits on cheques, which may vary for various class of investors, and in the event a cheque is returned unpaid, the Management Company may instruct the Registrar to redeem the Units so allocated at the then prevailing redemption price but not exceeding the redemption price fixed on the day the Units were allocated. In the event the Management Company instructs the Registrar to redeem the Units, the investor may be prosecuted for recovery of the shortfall in the issue and redemption price and /or other punitive action for presenting a cheque that is returned unpaid.
- (c) In general, the payments from outside Pakistan will be deemed to be completed on the date the Trustee receives the payments from international investors in its account. However, the Management Company may announce a different policy for payments for different classes of investors from outside Pakistan.

5.7.8 Unit Holders may make changes in their account information by using the Request Form for The Changes in Account Information or the Request Form for Changes in The Bank Account Information attached to this Offering Document.

5.7.9 Joint Application

- (a) Joint application can be made by up to four related groups of applicants. Such persons shall be deemed to hold Units on first holder basis; however, each person must sign the application form and submit a copy of their National Identity Card or other identification document.
- (b) The first named Holder shall receive all notices and correspondence with respect to the account, as well as proceeds of any redemption, or dividend payments. Such person's receipt or payment into the person's designated bank account shall be considered as a valid discharge by the Trustee of its obligation.
- (c) In the event of death of the first Holder, the person first in the order of survivor(s) as stated in the application form, shall be the only person recognized by the Trustee to receive all notices and correspondences with regards to the accounts, as well as proceeds of any redemption requests or dividend. Such person's acknowledgement of receipt of proceeds shall be considered as the valid discharge by the Trustee of its obligations.
- (d) Where Units are registered in the name of Joint Holders and subsequently additional Units are purchased by the same Joint Holders but the application is made in different order, such additional Units will be registered under a different account.

5.8 REDEMPTION PRICE

5.8.1 After the Conversion of the Fund into an Open-ended Scheme, the Redemption Price shall be equal to the Net Assets of the Fund as calculated according to section 5.4 above, less:

- (a) Any Back-end Load;
- (b) Any taxes imposed by the Government;
- (c) Such amount as the Management Company may consider an appropriate provision for Duties and Charges; and

- (d) Such amount as the Management Company may consider an appropriate provision for Transaction Costs;

The resulting sum to be divided by the number of Units outstanding in the Fund and the resulting value to be adjusted downwards to the nearest Paisa.

The Redemption Price so determined shall apply to redemption requests, complete in all respects, received by the Distributor during the business hours (as announced by the Management Company from time to time) on that Business Day. In the event the Karachi Stock Exchange is closed on that day, the next Redemption Price so determine shall apply

- 5.8.2 The Management Company may announce different Units with differing levels of Back-end load and Management Fees. Consequently, the Redemption Price may differ for different types of Units issued and for different investors.
- 5.8.3 In the event that the amount deducted for payment of Duties and Charges pursuant to sub-Section 5.8.1 (c) is insufficient to pay, in full, such Duties and Charges, the Management Company shall be liable for the payment, in full, of the amount of such Duties and Charges in excess of the provisions.
- 5.8.4 In the event that the amount paid as provision for payment of Duties and Charges pursuant to sub-Section 5.8.1 (c) exceeds the relevant amount of Duties and Charges, the Trustee shall refund such excess amount to the relevant Unit Holders with the next income distribution, or if instructed by the Management Company, at any time earlier.
- 5.8.5 The Redemption Price determined by the Management Company shall be made available to the public at the office and branches of the Distribution Companies and, at the discretion of the Management Company, may also be published in at least one daily newspaper circulating in Karachi and make it available at its website.
- 5.8.6 In redeeming Units of the Fund, no money shall be paid to any person except the Unit holder or his or her duly authorized representative.

5.9 REDEMPTION PROCEDURE

- 5.9.1 Unit Holders may redeem any Units held by them at any time using the Redemption Form attached to this Offering Document. Certificates, if issued, must be submitted with the Redemption with an endorsement at the back of the Certificate. Partial redemption of Units covered by a single Certificate is not permitted. However, Holders may apply for a splitting of the Certificate before applying for redemption. Unless the Joint Holders of Units have specified otherwise, all the Joint Holders shall sign the Redemption Form of such Units.
- 5.9.2 All Forms can be obtained from the Management Company or any Distributor or Facilitator of the Management Company or downloaded from the Management Company website or requested from the Management Company by mail.
- 5.9.3 The Redemption Form can be lodged with any Authorized Branch of the Distributor or directly lodged with the Management Company. No other person (including Facilitators) are authorized to accept the form. The applicant must obtain a copy of the form signed and stamped by an authorized officer of the Distributor/Management Company acknowledging the receipt of the form and the Certificates, if any.
- 5.9.4 The Redemption Price determined at the end of the Business Day for Units of the Fund shall apply to all Redemption Forms, complete in all respects, received by the Management Company at its registered address during business hours (as announced by the Management

Company from time to time) on that Business Day. In the event the Karachi Stock Exchange is closed on that day, the next Redemption Price so determine shall apply

Any Redemption Request Forms received after business hours will be transferred to the next Business Day.

- 5.9.5 The Management Company will make arrangements, from time to time, for receiving Redemption Forms from outside Pakistan and payment of redemption amounts outside Pakistan and will disclose these arrangements through its website and its Distributors and agents outside Pakistan.
- 5.9.6 The maximum interval of time between receipt of a Redemption Form and payment of redemption amount to the Unit Holder will not exceed six working days. The payment of the redemption value shall be made by virtue of a transfer to the Unit Holder's (the first named joint holder if jointly held) designated banker. In case of overseas account holders the maximum interval of time between receipt of a Redemption Form and payment of redemption amount to the Authorized Dealer for conversion and transmission to the Unit Holder will not exceed six working days, however, the actual receipt of the redemption amount by the Unit Holder may be delayed due to time taken for conversion and transmittal of the amount. The Management Company may also specify some other procedure, rather than direct transfer to a bank account, for payment of redemption amount to overseas Unit Holders.
- 5.9.7 In redeeming Units of the Fund, no money shall be paid to any person except the Unit Holder or his or her duly authorized representative.
- 5.9.8 After an existing Unit Holder has redeemed all his Units and collected all his dues, he shall have no further claims against the Fund.
- 5.9.9 The procedure hereinabove is designed for paper-based transactions. The Management Company may also offer Automated Teller Machines (ATMs) based redemptions through which a Unit Holder may also redeem Units of the Fund to such extent as the Management Company may arrange from time to time through Automated Teller Machines (ATMs) supported by one or more banks. Such arrangements shall be announced by the Management Company at such terms and conditions as it may deem fit. Such facility shall be available subject to the Unit Holder signing a special form and agreement prescribed by the Management Company

The Management Company may at a later date introduce electronic/ Internet based options for the transactions.

5.10 TRANSFER, TRANSMISSION AND CONVERSION PROCEDURE

- 5.10.1 Unit Holders may, subject to the law, transfer any Units held by them to any other account holder. The transfer shall be carried out after the Registrar has satisfied himself that all requisite formalities including the payment of any taxes and has recovered the fee prescribed for the service. A Unit shall be transferable only in its entirety.
- 5.10.2 Both the transferor and the transferee must sign every instrument of transfer and the transferor shall be deemed to remain the Holder of the Units transferred until the name of the transferee is entered in the Register in respect thereof. Every instrument of transfer must be duly completed in all respects including affixation of transfer stamps of the requisite value. Where Certificates have been issued the Trustee may dispense with the production of any Certificate where the Certificate has been lost, stolen or destroyed, subject to compliance by the transferor with like requirements to those arising in the case of an application by him for the

replacement thereof as provided in this Offering Document or the Trust Deed. The Registrar shall retain all instruments of transfer.

- 5.10.3 The Registrar, with the prior approval of the Management Company and the Trustee, shall be entitled to destroy all instruments of transfer or the copies thereof, as the case may be, which have been registered at any time after the expiration of twelve years from the date of registration thereof and all Certificates which have been cancelled at any time after the expiration of six years from the date of cancellation thereof and all registers, statements and other records and documents relating to the Trust at any time after the expiration of six years from termination of the Trust. The Trustee or the Management Company or the Registrar shall be under no liability, whatsoever, in consequence thereof and it shall conclusively be presumed in favor of the Trustee or the Management Company or the Registrar that every instrument of transfer so destroyed was a valid and effective instrument duly and properly registered by the Trustee or the Management Company or the Registrar and that every Certificate so destroyed was a valid Certificate duly and properly cancelled, provided always that (i) the provisions aforesaid shall apply only to the destruction of a document in good faith and without notice of any claim (regardless of the parties thereto) to which the document may be relevant; (ii) nothing in this Sub-section shall be construed as imposing upon the Trustee or the Management Company or the Registrar any liability in respect of the destruction of any document earlier than as aforesaid or in any case where the conditions of proviso (i) above are not fulfilled and (ii) reference herein to the destruction of any document includes reference to the disposal thereof in any manner.
- 5.10.4 Transmission of Units to successors in case of inheritance or distribution of the estate of a deceased Unit Holder shall be processed by the Registrar after satisfying himself as to all legal requirements. The legal costs and taxes, if any, shall be borne and paid by the transferees. However, the processing fee shall not be payable by successors or the beneficiaries of the estate in the case of transmission. The Management Company shall pay the relevant processing fee to the Registrar.
- 5.10.5 Subject to any Personal Laws that may be applicable to a Unit Holder, a single Unit Holder can nominate a successor to receive the Units upon his death or may request a nomination or change in nomination. Nominee(s) can be nominated only by single Unit Holders when there are no Joint Holders. The maximum number of Nominee(s) can be two (02) in number with their respective shares mentioned in percentage against their respective names. Such nomination shall however not include the Management Company or the Trustee or the Registrar from demanding succession certificate from appropriate court of law and they shall not be liable in any manner in case of any disputes among the legal heirs of the deceased.
- 5.10.6 Deletion of name, in case of a death of joint holder, all other holders need to specify so by signing in the deletion of name section of the form and identifying the name of the holder alongwith his/her date of expiry. The Registrar shall carry out the deletion of name after satisfying himself that all the requisite formalities have been completed and payment of the applicable taxes and fees, if any, has been received.
- 5.10.7 A Unit Holder may convert the Units held by him in a Unit Trust Scheme/Administrative Plan managed by the Management Company into Units of another Unit Trust Scheme/Administrative Plan managed by the Management Company subject to the terms of the respective Offering Documents or the terms stated in the Supplementary Offering Document/s relating to the respective Administrative Plans. The Registrar shall carry out the conversion after satisfying himself that all the requisite formalities have been completed and payment of the applicable taxes and fees, if any, has been received.

- 5.10.8 A Unit Holder may merge the units when he/she has invested with two registration numbers and wishes to merge both the accounts into one registration number. The Registrar shall carry out the merger after satisfying himself that all the requisite formalities have been completed and payment of the applicable taxes and fees, if any, has been received.
- 5.10.9 Transfer, transmittal, merger and deletion of name can be carried out by filing the Service Request Form AHI 07 – Change in Investor Particulars, conversion of Units can be carried out by filing the Service Request Form AHI 08 – Conversion of Plans/Fund attached to the Offering Document and submitting it to the Authorized Branch of a Distributor together with any certificate/document required. .
- 5.10.10 The Management Company may close the Register by giving at least seven days notice to Holders and for period not exceeding forty five days in a calendar year. During the period the Register is closed, transfer application will not be received.
- 5.11 DEALING, SUSPENSION, AND DEFERRAL OF DEALING
- 5.11.1 Suspension of fresh issue of Units - The Management Company may at any time, subject to the Rules, suspend issue of fresh Units. Such suspension may however not affect existing subscribers to any plans that may be offered by the Management Company under different administrative arrangements, the issue of bonus Units as a result of dividend distribution or the option to receive dividends in the form of additional Units. The Management Company shall announce the details of exemptions at the time a suspension of fresh issue is announced. The Management Company shall immediately notify the Commission if dealing in Units is suspended and shall also have the fact published, immediately following such decision, in the newspaper in which the Fund's prices are normally published.
- 5.11.2 Refusal to accept fresh issue/account opening request: The Management Company or the Distribution Company may at any time refuse to accept a request for account opening/fresh issue of Units in any of the following cases:
- (a) In case the application for account opening/fresh issue request is contrary to the Know-Your-Customer rules or any other money laundering rules that the Fund may be subject to or that the Management Company may frame for self regulation.
 - (b) In case the request for account opening/fresh issue of Units is contrary to the rules of the foreign jurisdiction that the Fund or the investor may be subject to or if accepting the request may subject the Fund or the Management Company to additional regulation under the foreign jurisdiction.
 - (c) If accepting the request for account opening/fresh issue of Units would in any case be contrary to the interests of the Management Company or the Fund.
- 5.11.3 Deferral of request for fresh issue of Units: The Management Company may at any time suspend or defer the issue of fresh Units if in its opinion the total number or any one request for fresh issue of Units is so large that investing the funds would take some time and be contrary to the interests of the present Unit Holders. In this case the Management Company may accept certain request for fresh issue of Units and may defer part or all of certain request for fresh issue of Units and issue only a limited number of fresh Units. The Units that are issued on a deferred basis, some time after the request for fresh issue of Units has been received, will be issued at the Offer Price prevailing on the date of such issue.
- 5.11.4 Circumstances of suspension of redemption - The redemption of Units may be suspended or deferred during extraordinary circumstances, including war (declared or otherwise), natural disasters, a major break down in law and order, breakdown of the communication system, closure of one or more Stock Exchanges on which any of the Securities invested in by the Fund are listed, closure of the banking system, computer breakdown or strikes or other events that render the Management Company or the Distributors unable to function, or the existence

of a state of affairs which, in the opinion of the Management Company, constitutes an emergency, as a result of which disposal of any investment would not be reasonably practicable or might seriously prejudice the interest of the Fund or of the Unit Holders or a break down in the means of communication normally employed in determining the price of any Investment or when remittance of money can not be carried out in reasonable time and if the Management Company is of the view that it would be detrimental to the remaining Unit Holders to redeem Units at a price determined in accordance with the Net Asset Value. Such a measure shall be taken to protect the interest of the Unit Holders in the event of extraordinary circumstances or in the event redemption requests accumulate in excess of ten percent of the Units in issue. In the event of a large number of redemption requests accumulating, the requests may be processed in a Queue System and, under extreme circumstances, the Management Company may decide to wind up the Fund. Details of the Queue System are given in Section 5.11.7 below.

5.11.5 Such suspension or Queue System shall end on the day following the first Business Day on which the conditions giving rise to the suspension or Queue System shall, in the opinion of the Management Company, have ceased to exist and no other condition, under which suspension or queue system is authorized under the Deed, exists. In case of suspension and invoking of a Queue System and end of suspension and Queue System, the Management Company shall immediately notify the Commission and publish the same in at least one daily newspaper each circulating at Karachi, Lahore and Islamabad.

5.11.6 Queue System - In the event redemption requests on any day exceed 10% of the Units in issue, the Management Company may invoke a Queue System whereby requests for redemption shall be processed on a first come first served basis for up to 10% of the Units in issue. The Management Company shall proceed to sell adequate assets of the Fund and/ or arrange borrowing, as may be permissible under the Rules as it deems fit, in the best interest of the Unit Holders, and shall determine the redemption price to be applied to the redemption requests based on such action. Where it is not practical to determine the chronological ranking of any requests in comparison to others received on the same business day, such requests shall be processed on a proportional basis, proportionate to the size of the requests. The requests in excess of the 10% shall be treated as redemption requests qualifying for being processed on the next business day at the price to be determined for such redemption requests. However, if the carried over requests and the fresh requests received on the next business day still exceed 10% of the Units in issue, these shall once again be treated on first-come-first-served basis and the process for generating liquidity and determining the redemption price shall be repeated and such procedure shall continue till such time the outstanding redemption requests come down to a level below ten percent (10%) of the Units then in issue.

5.11.7 Winding up in view of major redemptions - In the event the Management Company is of the view that the quantum of redemption requests that have built up shall result in the Fund being run down to an unmanageable level or it is of the view that the sell-off of assets is likely to result in a significant loss in value for the Unit Holders who are not redeeming, it may announce winding up of the Fund under intimation to the Commission and the Trustee. In such an event, the queue system, if already invoked, shall cease to apply and all Unit Holders shall be paid after selling the assets and determining the Final Redemption Price. However, interim distributions of the proceeds may be made if the Management Company finds it feasible.

5.12 CONSOLIDATION OF UNITS

By a deed supplemental to the Trust Deed the Management Company may at any time, with the approval of the Trustee, on giving not less than 21 days previous notice in writing to each Unit Holder, subdivide or consolidate the whole or any part of the Units and the Unit Holder shall be bound accordingly. The Management Company shall require in such notice that each Unit Holder to whom Certificates have been issued, (who shall be bound accordingly) deliver up his Certificates for endorsement or enfacement with the number of Units to be represented

thereby as a result of such sub-division or consolidation; provided that any delay or failure to deliver up the Certificates shall not delay or otherwise affect any such sub-division or consolidation.

5.13 ISSUANCE OF CERTIFICATES

- 5.13.1 Upon being satisfied that the Offer Price for each Unit has been received in full from the successful applicant, the Registrar shall issue an account statement that will constitute evidence of the number of Units registered in the name of the Unit Holder.
- 5.13.2 Certificates shall be issued only if so requested by the Unit Holder at the time of application or at any later stage and upon payment of a fee to be set by the Management Company from time to time. The proceeds of such fee will accrue to the Management Company.
- 5.13.3 Certificates shall only be issued against full payment of the subscription money.
- 5.13.4 Unit Holders must use the Service Request Form - AHI 06 Certificates Processing for issue, cancellation, replacement, splitting or consolidation of Certificates. The form, duly completed, must be lodged in the Authorized Branch of a Distributor.
- 5.13.5 Certificates shall be issued as herein provided not later than 21 Business Days after the date of request. The Certificate may be sent to the Unit Holder or his duly authorized nominee at his own risk by registered post or by courier service.
- 5.13.6 In the case of Units held jointly, the Registrar shall not issue more than one Certificate for the Certificates held by such joint Unit Holders and delivery of such Certificate to the Unit Holder named first therein shall constitute sufficient delivery to all joint Unit Holders.
- 5.13.7 Certificates shall be issued in such form as may, from time to time, be agreed between the Management Company and the Trustee. A Certificate shall be dated, shall bear the name and address of the Management Company and the Trustee, shall bear a distinctive serial number and shall specify the number of Units represented thereby and the name and address of the Unit Holder as appearing in the Register.
- 5.13.8 Certificates may be engraved or lithographed or printed as the Management Company may determine from time to time with the approval of the Trustee and shall be signed on behalf of the Trustee by a duly authorized officer of the Trustee and on behalf of the Management Company by a duly authorized officer of the Management Company. Every such signature shall be autographic unless there shall be for the time being in force an arrangement authorized by the Trustee adopting some lithographic or other mechanical method of signature in which event all or any of such signatures may be effected by the method so adopted. The Certificates shall also bear the signature of the authorized representative of the Registrar, which shall always be autographic. No Certificate shall be of any force or effect until signed as hereinabove mentioned. Certificates so signed shall be valid and binding notwithstanding that before the date of delivery thereof the Trustee or the Management Company or the Registrar or any person whose signature appears thereon as a duly authorized signatory may have ceased to be the Trustee, Management Company, Registrar or an authorized signatory.
- 5.13.9 Where the Units are in form of book entry securities registered with the Central Depository Register of the Central Depository Company of Pakistan Limited (the "CDC"), the issue of certification or receipt in lieu of physical Certificate or any other record shall be in accordance with the procedures laid down by the Central Depository Company of Pakistan Limited Regulations.

5.14 REPLACEMENT OF CERTIFICATES

- 5.14.1 Subject to the provisions of this Offering Document or the Trust Deed and in particular to the limitations of the denominations of Certificates as may be fixed by the Management

Company and subject to any regulations from time to time made by the Trustee, with the approval of the Management Company, every Unit Holder shall be entitled to exchange upon surrender of any or all of his existing Certificates for one or more Certificates of such denominations as he may require representing the same aggregate number of Units.

- 5.14.2 In case any Certificate shall be lost, stolen, mutilated, defaced or destroyed, the Registrar, with the approval of the Management Company, may issue to the person entitled a new Certificate in lieu thereof. No such new Certificate shall be issued unless the applicant shall previously have (i) returned the mutilated or defaced Certificate or furnished to the Trustee /Registrar evidence satisfactory to the Management Company of the loss, theft or destruction of the original Certificate, (ii) paid all expenses incurred in connection with the investigation of the facts; and (iii) furnished such indemnity as the Management Company and the Trustee may require. Neither the Management Company nor the Trustee nor the Registrar shall incur any liability for any action that they may take in good faith under the provisions of this sub-Section. Provided further that the Trustee and/or the Management Company may also require issuance of public notices in newspapers and/or provision of such indemnification as the Management Company and the Trustee may deem appropriate, at the cost of the pertinent Unit Holder, before issuing any new certificates.
- 5.14.3 Before the issuing of any Certificate under the provisions of this sub-Section the Registrar may require from the applicant for the Certificate the payment to it of a fee to be set by the Management Company, from time to time, together with a sum sufficient in the opinion of the Management Company to cover any Duties and Charges, if any, payable in connection with the issue of such Certificate.
- 5.15 PLEDGE OF UNITS
- 5.15.1 Any Unit Holder or all joint Unit Holders may request the Registrar to record a pledge of all or any of his/their Units in favor of any third party legally entitled to invest in such Units in its own right. The Registrar shall register a pledge on any Units in favor of any third party with the specific authority of the Management Company.
- 5.15.2 The pledge, once registered, shall be removed by the authority of the party in whose favor the pledge has been registered or through an order of a competent court. Neither the Trustee, nor the Management Company, nor the Registrar, shall be liable for ensuring the validity of any such pledge. The disbursement of any loan or undertaking of any obligation against the constitution of such pledge by any party shall be at the entire discretion of such party and neither the Trustee nor the Management Company nor the Registrar takes any responsibility in this matter.
- 5.15.3 Payments of dividends or the issue of bonus Units for Units under pledge shall be made to the pledge holder for the account of the Unit Holder.

6. PART VI: DISTRIBUTION POLICY

6.1. DISTRIBUTION POLICY AND DATE

- 6.1.1 The Fund shall annually distribute an amount that is required under the tax laws and other regulations in force and that may be beneficial for its Unit Holders. The entire amount available for distribution may be distributed as cash dividend or in any other form acceptable to the Commission (such as bonus Units) that may qualify under the tax laws. The Fund will comply with regulatory and taxation requirements and the distribution policy may be amended accordingly.
- 6.1.2 The Management Company shall decide as soon as possible, but not later than 45 days after the Accounting Date, whether to distribute among Unit Holders, profits, if any, available for the distribution at the end of the Accounting Period and shall advise the Trustee of the rate of such distribution per Unit.
- 6.1.3 The amount available for distribution in respect of any Accounting Period shall be determined by the Management Company after consulting the Auditors and shall be the sum total of:
- (a) The total income earned on the Fund Property during such Accounting Period, including all amounts received in respect of dividend, mark-up, profit and fee;
 - (b) Whole or part of the net realized appreciation, at the option of the Management Company;
 - (c) From the above amounts shall be deducted expenses and such other adjustment as the Management Company may determine in consultation with the Auditors.
- 6.1.4 The proceeds of sales of rights and all other receipts deemed by the Management Company, after consulting the Auditors, to be in the nature of capital accruing from Investments, shall not be regarded as available for distribution but shall be retained as part of the Fund Property, provided that such amounts out of the sale proceeds of the Investments and out of the sale proceeds of the rights, bonus shares and all other receipts as deemed by the Management Company, after consulting the Auditors, to be in the nature of the net realized appreciation, may be distributable to the Unit Holders by the Trustee and shall, thereafter, cease to form part of the Fund Property, once transferred to the Distribution Account.
- 6.1.5 The income qualifying for distribution in respect of the relevant period may be adjusted as under:
- (a) Deduction of a sum by way of adjustment to allow for effect of purchase of shares or any of the Investments cum dividend, profit or mark-up;
 - (b) Adjustment if considered necessary by the Management Company to reflect the diminution in value of Fund Property in consultation with the Trustee.
- 6.1.6 The Management Company may also distribute an amount, through cash or bonus, for an interim period that is not a full Accounting Period

6.2. DISTRIBUTION OF INCOME

- 6.2.1 After the fixing of the rate of bonus distribution per Unit, the Management Company will inform the Trustee who shall cause to have additional Units issued in the name of the Unit Holders as per the bonus ratio.
- 6.2.2 On each Accounting Date or interim distribution date the Management Company shall instruct the Trustee to transfer to the Distribution Account such amount of cash as

required to effect the cash distribution of income to the Unit Holders net of re-investment of dividend as provided by 6.2.6 below. The amount standing to the credit of the Distribution Account shall not be treated as part of the Fund Property but shall be held by the Trustee upon trust to distribute to Unit Holders as herein provided.

- 6.2.3 After the fixing of the rate of cash distribution per Unit, cash distribution payments shall be made by transfer to the Unit Holders' designated bank accounts, or in the case of joint Unit Holders, to designated bank account of the joint Unit Holder first named on the Register. The receipt of funds by such designated bankers shall be a good discharge therefor.
- 6.2.4 Before making any payment in respect of a Unit, the Trustee or the Management Company may make such deductions as may be required by law in respect of any Zakat, income or other taxes, charges or assessments, whatsoever, and issue to the Unit Holder the certificate in respect of such deduction in the prescribed form or in a form approved by the concerned authorities.
- 6.2.5 Certain Unit Holders may authorize the Trustee to re-invest any cash distributions from the Fund into additional Units of the Fund. The Trustee, in such cases will not pay cash distribution but will issue such Units and pay for such Units out of the relevant cash distribution net of any deductions as may be required by law in respect of any Zakat, income or other taxes, charges or assessments. Issue of the account statement by the Registrar showing an increase in Units shall be a good discharge of the obligation to pay dividends. In such cases, the additional Units will be issued at Net Asset Value less any duties and charges and will not attract any front-end fees or transaction charges. Deductions in respect of any Zakat, income or other taxes, charges or assessments shall be paid as cash to the relevant Government agencies and the Unit Holder will be issued a certificate in respect of such deduction in the prescribed form or in a form approved by the concerned authorities.
- 6.2.6 In the event a dividend is declared in the form of bonus Units, such Units shall be added to the holding of the Unit Holders. A Unit Holder may elect to receive the cash value of the bonus Units provided such Unit Holder opts for such an arrangement at the time of applying for the Units or requests the Registrar in writing prior to the dividend declaration for any relevant period.
- 6.2.7 Where the Units are placed under pledge, the payment of dividends or the issue of bonus Units for Units under pledge shall be made to the pledge holder for the account of the Unit Holder.
- 6.3. DISTRIBUTION OF LIQUIDATION PROCEEDS
- 6.3.1 Upon the Trust being terminated the Management Company shall suspend the sale and redemption of Units forthwith and proceed to sell all Investments then remaining in the hands of the Trustee as part of the Fund Property and shall repay any borrowing effected by the Trust together with any mark-up remaining unpaid.
- 6.3.2 The Trustee, on the recommendation of the Management Company, shall, from time to time, distribute to the Unit Holders pro rata to the number of Units held by them, respectively, all net cash proceeds derived from the realization of the Fund Property after making payment as mentioned in sub-Section 6.3.1 above and retaining such sum as considered or apprehended by the Management Company for all costs, charges, expenses, claims and demands.
- 6.3.3 In case the Trust is terminated by the Commission on the grounds given in the Rules, the Commission may appoint a liquidator in consultation with the Trustee

7. PART VII: FEES AND CHARGES

7.1. MANAGEMENT COMPANY REMUNERATION

7.1.1 The Management Company shall be entitled to receive a remuneration of an amount not exceeding 3% per annum of the average daily Net Assets of the Fund during the first five years of the Scheme and 2% per annum of the average daily Net Assets thereafter.

7.1.2 The remuneration due to the Management Company shall be calculated and accrued on a daily basis but paid monthly.

7.1.3 The remuneration due to the Management Company shall be paid on or before the date that is thirty days after the close of each month, provided that the Management Company may from time to time draw in advance out of the accrued remuneration a sum that the Trustee shall consider reasonable.

7.1.4 In consideration of the foregoing and save as aforesaid the Management Company shall be responsible for the payment of all expenses incurred by the Management Company and its agents from time to time in connection with their responsibilities as Management Company of the Fund. The Management Company shall not make any charge against the Unit Holders or against the Fund Property or against the Distribution Account for its services or for its expenses, except such expenses as are expressly authorized under the provisions of the Rules and this Deed to be payable out of Fund Property.

7.1.5 The Management Company shall bear all expenditures in respect of its secretarial and office space and professional management, including all accounting and administrative services provided in accordance with the provisions of this Offering Document or the Trust Deed.

7.2. TRUSTEE REMUNERATION

7.2.1 The Trustee shall be entitled to a monthly remuneration out of the Fund Property based on an annual tariff of charges annexed hereto (Annexure A), which shall be applied to the average daily Net Assets of the Fund during such calendar month. The remuneration shall begin to accrue from the date of payment in full by the Management Company in respect of the subscription of the initial Units of the Fund. For any period other than a full calendar month such remuneration will be prorated on the basis of the actual number of days for which such remuneration has accrued.

7.2.2 Such remuneration shall be paid to the Trustee in arrears within thirty days after the end of each calendar month.

7.2.3 In consideration of the foregoing, and save as aforesaid, the Trustee shall be responsible for the payment of all expenses incurred by the Trustee from time to time in connection with their duties as Trustee of the Trust. The Trustee shall not make any charge against the Unit Holders or against the Fund Property or against the Distribution Account for their services or for their expenses, except such expenses as are expressly authorized to be paid out of the Fund Property under the provisions of the Rules and this Offering Document or the Trust Deed.

7.2.4 The Trustee shall bear all expenditures in respect of its secretarial and office space and professional management, including all accounting and administrative services provided in accordance with the provisions of this Offering Document or the Trust Deed.

7.2.5 Any increase in the remuneration of the Trustee agreed to by the Management Company shall require the approval of the Commission.

7.3. FORMATION COST

Formation Costs as explained in clause 13.1.23 herein below, to be amortized over a period not exceeding five years from the date of the constitution of the Scheme. The portion of the Formation Costs that has remained unamortized at the time of Conversion of Fund, shall be debited to the Fund and amortized over the remaining period of five years from the date of the constitution of the Fund.

7.4. CONVERSION COST

Conversion Costs as explained in clause 13.1.15 herein below, shall be amortized over a period not exceeding five years from the date of the conversion of the Fund from a Closed-end scheme to the open-ended scheme. The Conversion Cost shall not exceed 0.5% of the size of the Fund at the time of Conversion.

7.5. ALLOCATION OF FRONT-END/ BACK-END LOAD

7.5.1 The remuneration of Distribution Companies and Investment Facilitators shall be paid exclusively from any Front-end/Back-End Load received by the Trustee and no charges shall be made against the Fund Property or the Distribution Account in this respect. The remainder of any Front-end/Back-End Load after such disbursement shall be paid by the Trustee to the Management Company as distribution support and processing charges for their services for the Fund. If the Front-end/Back-End Load received by the Trustee is

insufficient to pay the remuneration of the Distribution Companies and Investment Facilitators, the Management Company shall pay to the Trustee the amount necessary to pay in full such remuneration.

- 7.5.2 Such payments shall be made to the Distribution Companies and Investment Facilitators and the Management Company by the Trustee or by the Management Company to the Trustee on monthly basis in arrears within thirty days of the end of the calendar month.
- 7.5.3 A Distributor located outside Pakistan may, if so authorized by the Trustee and the Management Company, retain such portion of the Front-end Load as is authorized by the Management Company and transfer the net amount to the Trustee, subject to the law for the time being in force.
- 7.5.4 Sales and Processing Charges (Front-end Load) – The Unit Sale Price includes sales and processing charges of a maximum of five percent of the Offer Price as a load on the Net Asset Value of the Unit. The Redemption Price may be determined after deducting a processing charge not exceeding a maximum of five percent of the Redemption Price as a back-end load on the NAV
- 7.5.5 Management Company may also issue Units at a reduced or no Sales and Processing Charge. The issue price applicable to Bonus Units issued by way of dividend distribution or issue of Units in lieu of cash distribution shall not include any sales or processing charge
- 7.5.6 Units issued to an existing Accountholder through conversion from another scheme run by the Management Company shall be issued at a price based on the Net Asset Value applicable on that date plus a processing charge not exceeding one-half of one percent.
- 7.5.7 Transfer of Units from one owner to another shall be subject to a processing charge of an amount not exceeding one percent of the Net Asset Value at the date the request is lodged, which shall be recovered from the transferee. However, the processing charge shall not be payable by successors in the case of inheritance or distribution of the estate of a deceased Unit Holder.

7.6. CURRENCY AND ISSUE OF UNITS IN FOREIGN CURRENCY

- 7.6.1 The currency of transaction of the PCMF is the Pakistan Rupee and the Management Company, Trustee or any Distributor are not obliged to transact the issuance or redemption of the Units in any other currency and shall not be held liable, save as may be specifically undertaken by the Management Company, for receipt or payment in any other currency or for any obligations arising therefrom.
- 7.6.2 Subject to exchange control and other applicable laws, rules and regulations, in the event of arrangements being made by the Management Company for the issuance of Units to persons not resident in Pakistan or for delivery in any country outside Pakistan, the price at which such Units may be issued may, at the discretion of the Management Company, include in addition to the Offer Price as hereinbefore provided a further amount sufficient to cover any exchange risk insurance, any additional stamp duty or taxation whether national, local or otherwise leviable in that country in respect of such issue or of the delivery or issue of Certificates, or any additional costs relating to the delivery of certificates or the remittance of money to Pakistan.
- 7.6.3 In the event that the Redemption Price for Units shall be paid in any country outside Pakistan, the price at which such Units may be redeemed may at the discretion of the

Management Company include as a deduction to the Redemption Price as hereinbefore provided a further amount sufficient to cover any exchange risk insurance and any additional stamp duty or taxation whether national, local or otherwise leviable in that country in respect of such payment or redemption or any bank or other charges incurred in arranging the payment.

- 7.6.4 The Management Company shall appoint one or more scheduled bank as the Authorized Dealer to manage Offer and Redemption of Units from outside Pakistan in foreign currency under the provisions of the Foreign Exchange Regulations
- 7.6.5 Payments received in foreign currency to sale Units shall be converted into Pakistani Rupees through the Authorized Dealer using his quoted rates and any conversion cost shall be deducted from the payment before Units are issued.
- 7.6.6 At the option of the Management Company, payments made in foreign currency for Units sales may directly be made part of Fund Property after deduction of the relevant duties, charges, Transaction Costs and Front-end Load. The Units issued will be denominated in Pakistani Rupees using as conversion rate the rates quoted by the Authorized Dealer at the issue date of the Units.
- 7.6.7 Payments to be made in foreign currency on redemption of Units shall be converted from Pakistani Rupees through the Authorized Dealer using his quoted rates and any conversion cost shall be deducted from the payment to be made.
- 7.6.8 At the option of the Management Company, payments to be made in foreign currency for Unit redemption may directly be paid from Fund Property after deduction of the relevant duties, charges, Transaction Costs and Back-end Load. As the Units redeemed will be denominated in Pakistani Rupees the conversion rate will be the rates quoted by the Authorized Dealer at the redemption date of the Units.

7.7. OTHER FEES AND CHARGES

Other fees and charges shall include:

- (a) Brokerage and transaction costs related to investing and dis-investing of the Fund Property
- (b) Legal and related costs incurred in protecting or enhancing the interests of the Fund or the collective interest of the Unit Holders
- (c) Bank charges, foreign currency conversion, commission & buy-sell spreads and borrowing/financial costs
- (d) Audit Fees
- (e) Taxes applicable to the Trust on its income, turnover, assets or otherwise
- (f) Annual Fee payable to the Commission
- (g) Mutual Fund Association of Pakistan fees.
- (h) CDC charges in case the Units are inducted in CDR as book entry securities
- (i) Custody charges including CVT, Laga, National Clearing and Settlement Company, Central Depository Company of Pakistan charges and cost of custodial services for overseas investments and other levies, and charges.

- (j) Hedging costs including forward cover, forward purchase or option purchase costs.

Other charges and fees such as listing fees of the exchange, associate membership fee in the stock exchanges, etc.

8. PART VIII: TAXATION

8.1. TAXATION ON INCOME OF PCMF

The following is a brief description of the Income Tax Ordinance, 2001, applicable in respect of PCMF.

8.1.1 Liability for Income Tax

Under the income tax laws of Pakistan, PCMF is regarded as a public company for tax purposes. The income of the Fund is taxable at the tax rate applicable to a public company, which is presently as under:

- (a) Dividend Income: 5%
- (b) Capital gains arising on sale of securities listed on any stock exchange in Pakistan are exempt from tax up to June 30, 2007
- (c) Return from all other sources/instruments is taxable at the rate of 35% applicable to a public company

8.1.2 Liability for Income Tax if 90% of Income is distributed

Notwithstanding the tax rates stated under Section 8.1.1 above, the income of PCMF will be exempted from tax if not less than 90% of the income of the year is distributed amongst the Unit Holders. The 90% of the income shall be calculated after excluding realized capital gains and capital appreciation. PCMF will comply with the requirements of tax exemption and distribute at least 90% of the income, calculated after excluded realized capital gains to the Unit Holders.

8.1.3 Withholding Tax

All income, namely, dividend, return from term finance certificates, return on deposits with banks/financial institutions, return from contracts, securities or instruments of companies, organizations, and establishments will not be subjected to any withholding tax.

8.1.4 Zakat

PCMF is Saheb-e-nisab under the Zakat and Ushr Ordinance, 1980. The balance in the credit of savings bank account, or similar account with a bank standing on the first day of Ramzan-ul-Mubarak will be subjected to deduction to 2.5% Zakat.

8.2. TAXATION OF UNIT HOLDERS AND LIABILITY OF ZAKAT

The information set forth below is included for general information purposes only. In view of the individual nature of tax implications, each investor is advised to consult with his or her tax advisor with respect to the specific tax implications of investment in PCMF.

- 8.2.1 **Income Tax:** Dividend paid to Unit Holders of the Fund shall be subject to income tax as under according to the present rates, which may be changed in future:

	Income Tax	Withholding Tax
Public Company / Insurance Company	5%	5%
Others	10%	10%

The Portion of dividends paid out of capital gains on sale of listed securities shall not be subject to income or withholding tax.

- 8.2.2 **Tax Credit:** Unit Holders shall be entitled to a tax credit under Section 61(1) and (2) of the Income Tax Ordinance, 2001 on purchase of new Units. The amount on which tax credit will be allowed shall be the lower of: (a) amount investment; (b) 10% of the total income of the Unit Holder; and (c) Rs. 150,000 and will be calculated by applying the average rate of tax of the Unit Holder for the tax year. If the Units so acquired are disposed within 12 months, the amount of tax payable for the tax year shall be increased by the amount of the credit allowed.
- 8.2.3 **Zakat:** Units held by resident Pakistani Unit Holders shall be subject to Zakat under the Zakat and Ushr Ordinance, 1980 at a rate of 2.5% of the par value of the Units, except those exempted under the said Ordinance. Zakat will be deducted at source from the dividend amount or from the redemption payment, if Units are redeemed during the Zakat year before payment of dividend.

9. PART IX: REPORTS AND ACCOUNTS

9.1. ACCOUNTING PERIOD

Accounting Period means a period ending on, and including, an Accounting Date and commencing (in case of the first such period) on the date on which the Fund Property is first paid or transferred to the Trustee and (in any other case) from the end of the preceding Accounting Period.

9.2 ACCOUNTING DATE

Accounting Date means the date 30th June in each year and any interim dates at which the financial statements of the Fund are drawn up. Provided, however, that the Management Company may, with the consent of the Trustee and after obtaining approval of the Commission and the Commissioner of Income Tax, change such date to any other date.

9.3 AUDIT

9.3.1 The first Auditors of the Trust are A.F. Fergusons & Co., Karachi, Chartered Accountants, Karachi. The Management Company shall, in consultation with the Trustee, appoint as auditor a firm of chartered accountants who shall be independent of the auditor of the Management Company and the Trustee. The Management Company may at any time, with the concurrence of the Trustee, and shall, if directed by the Commission, remove the Auditors and appoint other Auditors in their place.

9.3.2 The Auditors shall hold office until transmission of the annual report and accounts but may be re-appointed for up to three consecutive terms of one year each. Thereafter, the Auditors shall only be eligible for appointment after the lapse of at least one year. The following persons shall not qualify to be the Auditors of the Trust:

- (a) A person who is or, at any time during the preceding three years, was a director, officer or employee of the Management Company or the Trustee.
- (b) A person who is a partner of, or in employment of, a director, officer, employee or Connected Person of the Management Company or Trustee.
- (c) The spouse of a director of the Management Company or Trustee.
- (d) A person who is indebted to the Management Company or Trustee, and
- (e) A body corporate.

9.3.3 Appointment of a partnership firm to be the Auditors shall be deemed to be the appointment of all persons who are partners in the firm, for the time being.

9.3.4 The Auditors shall have access to the books, papers, accounts and vouchers of the Trust, whether kept at the office of the Management Company, Trustee, Custodian, Registrar or elsewhere and shall be entitled to require from the Management Company, the Trustee and their directors, officers and agents, such information and explanations as considered necessary for the performance of audit.

9.3.5 The Trustee shall be entitled to require the Auditors to provide such further reports as may be agreed between the Trustee and the Management Company and considered necessary to facilitate the Trustee in issuing the certification required under the Rules.

9.3.6 The Auditors shall prepare a written report to the Unit Holders on the accounts and books of accounts of the Trust and the balance sheet and income and expenditure account and on

every other document forming part of the balance sheet and income and expenditure account, including notes, statements or schedules appended thereto.

9.3.7 The contents of the Auditors report shall be as required in the Rules.

10. PART X: WARNINGS

IF YOU ARE IN ANY DOUBT ABOUT THE CONTENTS OF THIS OFFERING DOCUMENT, YOU SHOULD CONSULT YOUR STOCK BROKER, BANK MANAGER, LEGAL ADVISOR, OR FINANCIAL ADVISOR. THE PRICE OF THE UNITS OF THIS FUND AND THE INCOME OF THIS FUND (FROM WHICH DISTRIBUTIONS TO UNIT HOLDERS IS MADE) MAY INCREASE OR DECREASE.

11. PART XI: GENERAL INFORMATION

11.1. CONSTITUTIVE DOCUMENTS

The constitutive documents of PCMF are:

- (1) Trust Deed, dated 27 October 2003 (the “Original Trust Deed”), executed between AHIML and the Central Depository Company of Pakistan Limited (the “CDC” or the “Trustee”), appointing the CDC as Trustee to the Fund;
- (2) Supplemental Trust Deed dated 27 October 2005 (the “Supplemental Deed”), executed between AHIML and the CDC, effecting the conversion the Fund from closed- to open-ended;
- (3) Amended and Restated Trust Deed (the “Trust Deed”), incorporating the impact of the Supplemental Deed on the Original Trust Deed;
- (4) Certificate Holders’ Resolution authorizing the conversion of the Fund from closed- to open-ended;
- (5) Letter No. NBFC-II/JD(R) /AHIM-PCMF/592/2003 dated 5 November 2003 from SECP to AHIML, authorizing for a closed-end scheme named Pakistan Capital Market Fund under Rule 41 of the Rules;
- (6) Letter No. NBFC-II/JD(R)/AHIM/481 dated 24 June 2005 from SECP to AHIML in principle approving the conversion of PCMF from a closed-end to an open-end scheme.
- (7) Letter No. NBFC/MF-AD-II(R)/683/2005 dated 20 September 2005 from SECP to AHIML approving the registration of a Supplemental Trust Deed to effect the conversion of PCMF from a closed-end to an open-end scheme.
- (8) Letter No. NBFC-II/JD(R)/AHIM-PCMF/744 dated 17 October 2005 from the SECP to AHIML, approving this Offering Document under Rules 61,67 and 70 of the Rules.

The constitutive documents of PCMF can be inspected at the head office of the Management Company

11.2. DATE OF PUBLICATION OF THIS OFFERING DOCUMENT

The date of publication of this Offering Document is 14 November 2005.

11.3. STATEMENT OF RESPONSIBILITY

Arif Habib Investment Management Limited accepts responsibility for the accuracy of the information herein contained as of the date of publication.

12. PART XII: TERMINATION OF THE SCHEME

12.1. TERMINATION AND LIQUIDATION OF TRUST

- 12.1.1 The Management Company may terminate the Fund if the Net Assets, at any time, fall below Rupees fifty million. The Management Company shall give at least three months notice to Unit Holders and shall disclose the grounds of its decision. The Management Company may announce winding up of the Fund without notice in the event redemption requests build up to a level where the Management Company is of the view that the disposal of the Fund property to meet such redemption would jeopardize the interests of the remaining Unit Holders and that it would be in the best interest of all the Unit Holders that the Fund be wound up.
- 12.1.2 In the event the Management Company is of the view that the quantum of redemption requests that have built up shall result in the Fund being run down to an unmanageable level or it is of the view that the sell-off of assets is likely to result in a significant loss in value for the Unit Holders who are not redeeming, it may announce winding up of the Fund without notice.
- 12.1.3 The Trust may also be terminated by the Commission on the grounds given in the Rules.
- 12.1.4 This Offering Document or the Trust Deed may be terminated in accordance with the conditions specified in the Rules if there is any breach of the provisions of this Offering Document or the Trust Deed or any other agreement or arrangement entered into between the Trustee and Management Company regarding the Trust.

13. DEFINITIONS

Unless the context requires otherwise, the following words or expressions shall have the meaning respectively assigned to them, viz.:

- 13.1.1 “Accounting Date” means the date, 30th June, in each year and any interim dates at which the financial statements of the Fund are drawn up. Provided, however, that the Management Company may, with the consent of the Trustee and after obtaining approval of the Commission and the Commissioner of Income Tax, change such date to any other date;
- 13.1.2 “Accounting Period” means a period ending on and including an Accounting Date and commencing (in case of the first such period) on the date on which the Fund Property is first paid or transferred to the Trustee and (in any other case) from the end of the preceding Accounting Period;
- 13.1.3 “Auditors” means such audit firms that are appointed as the auditors of this Scheme;
- 13.1.4 “Authorized Branch” means those branches of the Distributors that have been authorized by the Management Company, from time to time, to perform Distribution Functions;
- 13.1.5 “Authorized Dealer” means a Schedule Bank appointed by the Management Company under the Foreign Exchange Manual of the State Bank of Pakistan to manage issuance and redemption of Units;
- 13.1.6 “Authorized Investment” means investments transacted, issued, traded or listed in Pakistan and abroad as defined in Part III of this Offering Document.
- 13.1.7 “Back-end Load” means a Processing Charge (excluding Duties and Charges) not exceeding five percent (5 %) of the Redemption Price, deducted by the Management Company from the Net Asset Value in determining the Redemption Price;
- 13.1.8 “Bank” means an institution providing banking services under the banking laws of Pakistan, or if operating outside Pakistan, under the banking laws of the jurisdiction of its operation outside Pakistan;
- 13.1.9 “Bank Accounts” mean those accounts the beneficial ownership of which rests in the Unit Holders and for which CDC has been appointed the Trustee;
- 13.1.10 “Business Day/Dealing Day” means a day (such business hours thereof) when Banks are open for business in Pakistan;
- 13.1.11 “Certificate” means the definitive certificate acknowledging the number of Units registered in the name of the Holder issued at the request of the Holder pursuant to the provisions of the Trust Deed;
- 13.1.12 “Connected Person” shall have the same meaning as in the Rules;
- 13.1.13 “Constitutive Document” means this Trust Deed which is the principal Document governing the formation, management or operation of the Fund as per NBFC;

- 13.1.14 “Conversion” means the conversion of the Fund from a “Closed-end Scheme” to an “Open-ended Scheme” has come into effect from the time of the execution of the Supplemental Deed (“the Effective Time”);
- 13.1.15 “Conversion Costs” means all costs and expenses relating to the conversion of PCMF into an Open-ended Scheme, including but not limited to expenses in connection with the obtention of authorization for conversion of the Scheme, execution and registration of Supplemental Constitutive Document, issue, printing, publication and circulation of revised Offering Document, announcements to the public, the Unit Holders, banks and other concerned parties, announcements describing the Fund and inviting investments therein, legal expenses and all other costs and expenses incurred upto the period of effectuating and implementing the conversion of PCMF into an open-ended scheme.
- 13.1.16 “Custodian” means a bank, the Central Depository Company of Pakistan Limited, or any other Depository for the time being appointed by the Trustee, with the approval of the Management Company, to hold and protect the Fund Property, or any part thereof, as custodian, on behalf of the Trustee; the Trustee may also, itself, provide custodial services for the Fund, with the approval of the Management Company, at competitive terms, as part of the normal line of its business;
- 13.1.17 “Deed” means this Trust Deed which is the principal Document governing the formation management or operation of the Fund;
- 13.1.18 “Distribution Account” means the account (which may be a current, deposit, or savings account) maintained by the Trustee with a Bank approved by the Management Company in which the amount required for distribution of income to Unit Holders shall be transferred;
- 13.1.19 “Distributor”, “Distribution Company”, “Distribution Companies” mean a company or companies, firm, or bank appointed by the Management Company, with the approval of the Trustee, for performing any or all of the Distribution Functions and shall include the Management Company, itself, if it performs the Distribution Function;
- 13.1.20 “Distribution Function” means the functions with regard to:
- (a) Receiving applications for the issue of Units and the aggregate Offer Price for Units applied for by such applications;
 - (b) Issuing receipts in respect of (a) above;
 - (c) Interfacing with and providing services to the Holders including receiving redemption. transfer applications, conversion notices and applications for change of address or issue of duplicate certificates for immediate transmission to the Management Company or the Registrar, as appropriate, and
 - (d) Accounting to the Trustee for (i) money received from applicants for the issuance of Units; (ii) payments made to the Unit Holders on redemption of Units; (iii) expenses incurred in relation to the Distribution Function;
- 13.1.21 “Duties and Charges” means, in relation to any particular transaction or dealing, all stamp and other duties, taxes, Government charges, transfer fees, registration fee and other duties and charges in connection with the issue, sale, transfer, redemption or purchase of Units or, in respect of the issue, sale, transfer, cancellation or replacement of a Certificate, or otherwise, which may have become or may be payable in respect of or prior to or upon the occasion of the transaction or dealing in respect of which such duties and charges are payable but do not include the remuneration payable to the Distribution Company or any Front-end or Back-end Load or commission payable to agents on sales

and redemption of Units or any commission charges or costs which may have been taken into account in ascertaining the Net Asset Value;

- 13.1.22 “Effective Time and Date” means, the conversion of the Fund from a “Closed-end Scheme” to an “Open-ended Scheme” has come into effect from the time of the execution of the Supplemental Deed (“the Effective Time”);
- 13.1.23 “Formation Cost” means all preliminary and floatation expenses of the Fund including expenses in connection with authorization of the Scheme, execution and registration of the Constitutive Document, issue, legal costs, printing, circulation and publication of the Offering Document, announcements describing the Fund, inviting investment therein and all expenses incurred during the period leading up to the initial issue of Units;
- 13.1.24 “Front-end Load” means the sales and processing charge or commission (excluding Duties and Charges) not exceeding five percent (5 %) of the Offering Price. The Management Company may, at its discretion, charge different levels of the load to different investors from time to time
- 13.1.25 “Fund’s Auditors” mean the Auditors;
- 13.1.26 “Fund Property” means the aggregate proceeds of the sale of all Units at Offer Price and any Transaction Costs recovered in the Offer or Redemption prices, after deducting therefrom or providing thereagainst, the value of Redemption, Front-end Load, Back-end Load, Duties and Charges (if included in the Offer Price or Redemption Price) applicable to the issue or redemption of Units and any expenses chargeable to the Fund; and includes the Investment and all income, profit and other benefits arising therefrom and all cash and other assets, movable or immovable, and property of every description, for the time being, held or deemed to be held upon trust by the Trustee for the benefit of the Unit Holders pursuant to the Trust Deed but does not include any amount standing to the credit of the Distribution Account;
- 13.1.27 “Holder” or “Unit Holder” means the investor, for the time being, entered in the Register as owner of a Unit or part thereof, including investors jointly registered pursuant to the provisions of this Offering Document and the Trust Deed;
- 13.1.28 “Post Conversion Offer Period” means a period as set out in the Offering Document during which the Units will be offered at the Offer Price;
- 13.1.29 “Investment” means any Authorized Investment forming part of the Fund Property;
- 13.1.30 “Investment Facilitator” or “Facilitator” means an individual, firm, corporate or other entity appointed by the Management Company to identify, solicit and assist investors in investing in the Fund. The Management Company shall compensate Facilitators out of the Sales Load collected by it in the Offer Price;
- 13.1.31 “Net Assets” means the excess of assets over liabilities of the Fund, such excess being computed in the manner specified in Section 5.4 of this Offering Document;
- 13.1.32 “Net Asset Value” means per Unit Value of the Fund arrived at by dividing the Net Assets by the number of Units outstanding;
- 13.1.33 “Offer Price” means the sum to be paid to the Trustee for issuance of one Unit, such price to be determined pursuant to Section 5.5 of this Offering Document;

- 13.1.34 “Offering Document” means the prospectus, advertisements or other documents (approved by the Commission) that contain the investment and distribution policy and all other information in respect of the Fund and the plans offered under various administrative arrangements covered by the respective Supplementary Offering Documents, as required by the Rules and is calculated to invite offers by the public to invest in the Fund;
- 13.1.35 “Ordinance” means Companies Ordinance, 1984;
- 13.1.36 “Pakistan Capital Market Fund”, “Fund”, “PCMF”, “Trust” or “Scheme” or “Open-end Scheme” means the Trust constituted by this Trust Deed.
- 13.1.37 “Par Value” means the Initial Offer Price of a Unit that shall be Rs. 10;
- 13.1.38 “Personal Law” means the law of inheritance and succession as applicable to the individual Unit holder;
- 13.1.39 “Redemption Price” means the amount to be paid to the relevant Holder of a Unit upon redemption of that Unit, such amount to be determined pursuant to Section 5.8.
- 13.1.40 “Redemption Procedure” means the Redemption procedure as set in Section 5.9;
- 13.1.41 “Redemption Form” means the redemption form as defined in the Offering Document;
- 13.1.42 “Register” means the Register of the Holders kept pursuant to the Rules and the Trust Deed;
- 13.1.42 “Registrar” means an organization that the Management Company may appoint for performing the Registrar Functions;
- 13.1.44 “Registrar Functions” means the functions with regard to:
- a. Maintaining the Register;
 - b. Processing requests for issue, transfer and transmission of Units and requests for recording of lien or for recording of changes in data with regard to the Unit Holders
 - c. Dispatching income distribution warrants and bank transfer intimations;
 - d. Issuing statement of accounts;
 - e. Issuing, re-issuing and canceling Certificates;
- 13.1.44 “Rules” means the Non-Bank Finance Companies Rules, 2003 as amended from time to time;
- 13.1.45 “SECP” or “the Commission” means the Securities and Exchange Commission of Pakistan set up under Securities and Exchange Commission of Pakistan Act, 1997;
- 13.1.46 “Stock Exchange” means Karachi Stock Exchange, Lahore Stock Exchange and Islamabad Stock Exchange or any other stock exchange registered under the Securities and Exchange Ordinance 1969;
- 13.1.47 “Subscription Day” means every Business Day, provided that the Management Company may, with the prior written consent of the Trustee, and upon giving not less than 7 days notice in the newspapers, declare any particular business day not to be a Subscription Day;
- 13.1.48 “Supplementary Offering Document” means a document issued by the Management Company, in consultation with the Trustee after seeking approval of the Commission,

describing the special features of new type of Units and offering investment in the Scheme;

- 13.1.49 “Transaction Costs” means the costs incurred or estimated by the Management Company to cover the costs (such as, but not limited to, brokerage, Trustee charges, taxes or levies on transaction, etc.) related to the investing or disinvesting activities of the Fund’s portfolio, necessitated by creation or cancellation of Units. Such cost may be added to the NAV for determining the Offer Price of Units or be deducted from the NAV in determining the Redemption Price. The element of Transaction Costs taken into account in determining the prices and collected so, shall form a part of the Fund Property;
- 13.1.50 “Unit” means one undivided share in the Fund and, where the context so indicates, a fraction thereof;
- 13.1.51 “Trust” means open-end scheme, scheme, or Fund;
- 13.1.52 “Zakat” has the same meaning as in the Zakat and Ushr Ordinance, 1980;

Words and expressions used but not defined herein shall have the meanings assigned to them in the Rules. Words importing persons include corporations, words importing the masculine gender include the feminine gender, words importing singular include plural and words “written” or “in writing” include printing, engraving, lithography, or other means of visible reproduction.

We, the Directors of Arif Habib Investment Management Limited do hereby solemnly declare that we are aware of all the information disclosed in the Post Conversion Offering Document of Pakistan Capital Market Fund made available to the public under Rule 70(2) of the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 and verify that the information contained in the Offering Document is true and correct to the best of our knowledge and belief and nothing has been concealed.

Name	Position in Investment Adviser	Signatures
Mr. Arif Habib	Chairman	
Mr. John Kirkham	Vice- Chairman	
Mr. Nasim Beg	Chief Executive	
Mr. Asadullah Khawaja	Director	
Mr. Sirajuddin Cassim	Director	
Mr. Muhammad Yousuf	Director	
Mr. Samad A. Habib	Director	
Mr. Salim Chamdia	Director	

Dated: 05 October 2005 Place: Karachi, Pakistan

Witness: _____

Address: _____

NIC No.: _____

ANNEXURE A

Central Depository Company of Pakistan's Tariff Structure for Trusteeship of Open-end Scheme

The Trustee remuneration shall consist of reimbursement of actual custodial expenses/charges plus the following tariff:

Amount of Funds Under Management (Average NAV)	Tariff per annum
Up to Rs. 1,000 million	Rs 0.7 million or 0.20% p.a. of NAV, which ever is higher.
On an amount exceeding Rs. 1,000 million	Rs. 2.0 million plus 0.10% p.a. of NAV exceeding Rs. 1,000 million

