

**THE INVESTORS ARE ADVISED IN THEIR OWN INTEREST TO CAREFULLY READ THE CONTENTS OF THE OFFERING DOCUMENT IN PARTICULAR THE RISK FACTORS MENTIONED AT PARA (4.5) BEFORE MAKING ANY DECISION**

**Revised**

**Offering Document**

# **The MetroBank - Pakistan Sovereign Fund (MSF)**

**An Open-end Fund Managed By:**

**Managed by**

**Arif Habib Investment Management Limited**

**An Asset Management and Investment Advisory Company  
Registered under the**

**OFFERING DOCUMENT OF  
METROBANK - PAKISTAN SOVEREIGN FUND (MSF)  
AS AMENDED ON 13<sup>th</sup> December 2006**

**Managed by Arif Habib Investment Management Limited, an Asset Management Company registered under the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 [("the Rules") (formerly *Asset Management Companies Rules, 1995*)]**

Date of Publication of the Initial Offering Document 26<sup>th</sup> February 2003

Date of Publication of this Amended Offering Document 13<sup>th</sup> December 2006

**1. INTRODUCTION**

The MetroBank - Pakistan Sovereign Fund (MSF) and its Sub-schemes have been established through a registered trust deed dated December 24, 2002, as amended vide First Supplemental to the Trust Deed of the MetroBank Pakistan Sovereign Fund dated November 24, 2005 (the Trust Deed) under the Trusts Act, 1882, executed between Arif Habib Investment Management Limited (AHIM) as the Management Company and Habib Metropolitan Bank {formally Metropolitan Bank Limited (MBL)} as the Trustee; and is authorised under the Non Banking Finance Companies (Establishment and Regulation) Rules, 2003 ("the Rules" – formerly Asset Management Companies Rules, 1995).

**If you have any doubt about the contents of this Amended Offering Document, you should consult one or more from amongst your investment advisors, legal advisors, bank managers, stockbrokers, or other financial advisors. Investors must recognise that all investments involve varying levels of risk. MSF invests in Government Securities traded in the market, or in its Sub-schemes and the Sub-schemes in turn have a fundamental policy to be materially invested in Government Securities traded in the market. Such securities are subject to market fluctuations and risks inherent in all such investments. The redemption prices of the Units in MSF are not assured but the Par Value of Units of the Sub-schemes is assured at maturity subject to any taxes applicable on government securities. The level of dividends declared by the Fund cannot be assured. Investors are requested to read the Risk Disclosure statement contained in Section 4.15 herein below.**

**2. DEFINITIONS**

Unless the context requires otherwise all words, terms or expressions used in this Amended Offering Document shall have the meaning assigned to them in Section 18 hereof.

**3. REGULATORY APPROVAL AND CONSENT**

**3.1 Approval of the Securities and Exchange Commission of Pakistan**

The Securities and Exchange Commission of Pakistan (SECP) has authorised the offer of Units of MSF and its Sub-schemes under Rule 10 of the Asset Management Companies Rules, 1995 (now Rule 67 of the NBFC Rules). The SECP had approved the Initial Offering Document under Rule 12 of the Asset Management Companies Rules, 1995 vide its letter No.SC/MF-JD( R ) 121/2003 dated 25<sup>th</sup> February 2003 (now Rule 70 of the NBFC Rules) and has now approved this Amended Offering Document. vide its letter No.NBFC-II/AD/AHIM-MSF/905/2006 dated December 13, 2006

**It must be clearly understood that in giving the approvals, the SECP had not taken and also does not now take any responsibility for the financial soundness of MSF or its Sub-schemes, nor for the accuracy of any statement made or any opinion expressed in the Initial Offering Document or this Amended Offering Document.**

The provisions of the Trust Deed (as amended) and the Rules govern this Amended Offering Document. It sets forth information about MSF and its Sub-schemes that a prospective investor should know before investing in MSF or its Sub-schemes. Prospective investors should consult one or more from amongst their legal advisors, stockbrokers, bank managers, or other financial advisors.

### **3.2 Filing of the Offering Document**

The Management Company had filed a copy of the Initial Offering Document signed by its Chief Executive along with the documents (1) to (9) below with the SECP. The Management Company has also filed a copy of this Amended Offering Document signed by its Chief Executive along with the documents (10) to (13) below with the SECP. Certified copies of these documents can be inspected at the registered office of the Management Company or the registered office and place of business of the Trustee or at any of the Authorised Branches of the Distribution Companies.

- (1) Management Agreement dated 3<sup>rd</sup> December 2002, between AHIM and MBL.
- (2) Trust Deed (Deed) of the Fund dated 24<sup>th</sup> December 2002, executed between MBL, as the Trustee of the Fund and AHIM, as the Management Company;
- (3) Registrar Agreement dated 11<sup>th</sup> September 2002 between AHIM and Gangjees Registrar Services (Pvt) Limited; and addendum dated 18<sup>th</sup> February 2003.
- (4) Distribution Agreement dated 26<sup>th</sup> February 2003 between AHIM and MBL:
- (5) Letters dated 26<sup>th</sup> February 2003 from Messer's. A. F. Ferguson & Co., Chartered Accountants, Auditors of the Fund, consenting to the issue of statements and reports appearing in Part 16 of this Offering Document;
- (6) The SECP's Certificate of Registration No SC/MF-ED/130/2001, dated 17<sup>th</sup> April 2001, Registering AHIM as an Asset Management Company together with SECP's letter SC/MF/ED/798/2001 dated 7<sup>th</sup> December 2001 confirming that the conditions of registration have been satisfied;
- (7) The SECP's letter No SC/MF/DD(R) 357/2002, dated 2<sup>nd</sup> October 2002, approving the appointment of Metropolitan Bank Limited as the Trustee of the Fund;
- (8) The SECP's letter No. SC/MF/JD(R) 10/2002, dated 7<sup>th</sup> January 2003, authorizing the Fund;
- (9) The SECP's letter No. SC/MF-/JD(R) /121/2003, dated 25<sup>th</sup> February 2003, approving the Initial Offering Document.
- (10) First Amendment to the Trust Deed of MetroBank-Pakistan Sovereign Fund dated 24<sup>th</sup> November, 2005.
- (11) SECP's letters No. NBFC-II-JD(R)/AHIM-MbPSF/419 dated 7<sup>th</sup> May, 2004 and No. NBFC-II-JD(R)/AHIM-MbPSF/788 dated 7<sup>th</sup> November, 2005, approving the amendments to the Trust Deed, as effectuated vide the First Amendment to the Trust Deed of Metro Bank Pakistan Sovereign Fund dated 24<sup>th</sup> November, 2005.
- (12) This Amended Offering Document SECP's letter No. NBFC-II/AD/AHIM-MSF/905/2006 dated December 13, 2006 approving this Amended Offering Document.

## 4. CONSTITUTION, OBJECTIVES, POLICIES AND RESTRICTIONS

### 4.1 Constitution

The Fund has been constituted by a Trust Deed executed at Karachi on 24<sup>th</sup> December 2002, between **Habib Metropolitan Bank (HMB)**, a company incorporated under the Ordinance and licensed under the Banking Companies Ordinance, 1962, with its registered office at Spencer Building I.I. Chundrigar Road, Karachi; and **Arif Habib Investment Management Limited (AHIM)**, a company incorporated under the Ordinance and licensed as an Asset Management Company under the Rules ( Non Banking Finance Companies (Establishment and Regulations) Rules, 2003 - the Rules” – formerly Asset Management Company Rules, 1995).” with its registered office at 2/1, R.Y. 16 Old Queens Road, Karachi, Pakistan

### 4.2 Objectives

MSF provides investors the facility to invest in an underlying portfolio of government securities and certain other authorised investments, managed by the Management Company in consultation with MBL as to the risk parameters. MSF has a policy of investing in Pakistan rupee denominated debt securities issued by the government of Pakistan or investing in Sub-schemes and the Sub-schemes in turn have a policy of investing in Pakistan rupee denominated debt securities issued by the government of Pakistan. Hence, MSF, as well as the Sub-schemes provide investors the facility to invest in portfolios of government securities and certain other authorised investments, while being able to select the maturity date of the portfolio so as to suit their cash flow requirements and in turn have the comfort of a reasonable protection of the Par Value invested in MSF and/or its Sub-schemes.

The Fund seeks to achieve the following benefits for the investors:

- Offer the benefit of returns available from investments in government securities. Such investments are normally an exclusive domain of large-scale (wholesale) investors
- The focus of MSF and each Sub-scheme is to invest in government securities of such maturity. With regard to investment in MSF and/or its Sub-schemes, at maturity of the pertinent Sub-scheme, the Par Value of the Units is paid back subject to any taxes that may be imposed on the purchase, holding, sale or maturity of such securities.
- Provide the investors with a high level of liquidity, such that they can join or leave the Fund at any time at their convenience, at the prevailing market based prices.

### 4.3 Trust Deed

The Deed is subject to and governed by the Rules, the Securities and Exchange Ordinance 1969, and all other applicable laws and regulations. The terms and conditions in the Deed and any supplemental deed(s) shall be binding on each Unit holder.

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

- 1) To such extent as may be required to ensure compliance with any applicable laws and regulations or any amendment of such laws and regulations;
- 2) To enable the provisions of the Deed to be more conveniently and efficiently implemented;
- 3) To enable the Units to be listed on a stock or other exchange; or
- 4) Otherwise to the benefit of the Unit Holders;

Provided that in case of (2), (3) and (4) above, such alteration or addition shall not prejudice the interest of the Unit holders; and that in any event, it shall not release the Trustee or the Management Company of their respective responsibilities.

#### 4.4 Duration

The duration of MSF is perpetual. However, each Sub-scheme shall have a pre-determined maturity date, which have been specified in the Initial Offering Document or were to be specified in the Supplementary Offering Document(s). However, the SECP or the Management Company may wind it up as stated in Section 17 of this Offering Document under the heading “Termination of MSF”.

#### 4.5 Sub-schemes

4.5.1 The MSF consists of MSF perpetual, as well as four Initial Sub-schemes, with identification and maturity dates of the Sub-schemes as indicated in the table below indicating the Schemes/Sub-schemes:

Scheme/ Sub-scheme	Name/ Identification Scheme/Sub-scheme of	Abbreviated Name	Maturity date of Scheme/Sub-scheme
Scheme	MetroBank - Pakistan Sovereign Fund (Perpetual)	MSF (Prp)	Perpetual
Sub- scheme	MetroBank - Pakistan Sovereign Fund (December 2007)	MSF (12/07)	31 <sup>st</sup> December 2007
Sub- scheme	MetroBank - Pakistan Sovereign Fund (December 2012)	MSF (12/12)	31 <sup>st</sup> December 2012

4.5.2 The Management Company, may, with the Trustees’ concurrence, issue further Sub-schemes from time to time with the approval of the SECP.

#### 4.6 Units

MSF is divided into Units having an initial price of Rs.50 each. This price is applicable to the Core Units. The amount received on account of Core capital shall be allocated to the Schemes at the Management Company’s discretion. The Net Asset Value (NAV) of respective Scheme shall form the base for determining the Offer and Redemption Prices of the respective Scheme. The Core Units had been issued with the condition that these were not redeemable for a period of two years from the date of issue. During the said two years, there was no restriction on converting the Core Units into Units of one or more Schemes, provided that the investment in such Schemes was also governed with the same restriction; provided further that proceeds from any Sub-Schemes that matures within the said two-years period shall be reinvested and retained in one or more Scheme till the expiry of the said two years. The Core Units and the related Units of the Sub-schemes are transferable with this condition and shall rank pari passu with all other Units of the respective Schemes, save for this restriction. Any transfer of these Core Units or the Units of the related Sub-schemes, during the first two years of the issue of the Core Units, shall be affected only on the receipt by the Registrar of a written acceptance of this condition by the transferee. The investors shall have a choice to invest directly in any Sub-scheme or in Units of MSF. The Management Company may change the investment mix of MSF at its discretion any time within the risk parameters agreed with MBL.

All Units have an undivided share in the Scheme or the relevant Sub-scheme 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 the relevant Scheme or Sub-scheme proportionate to the Units of the relevant Fund or Sub-scheme held by such Unit Holder. However, for the convenience of investors, the Management Company may issue Units with different options as to the administrative arrangements (while maintaining the integrity of each Unit’s pari passu rights). Consequently, the Units issued with differing administrative arrangements may have 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.

#### **4.7 Open end Fund**

The Fund is an open-end fund. It shall offer and redeem Units on a continuing basis subject to terms herein and in the respective Supplementary Offering Documents where applicable. The Management Company may decide a lower or an upper limit of the Units to be issued to a single Unit Holder or of 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. Units will be issued in registered, certificated form and may be issued in the dematerialised form in the event appropriate arrangements are made with a depository.

#### **4.8 Issue and Redemption of Units in Extraordinary Circumstances**

The Management Company may, at any stage, suspend the issue (sale) of Units and for such periods as it may so decide. In any event, sale of Units of every Sub-scheme shall cease one month before the maturity of the relevant Sub-scheme. All Units of a Sub-scheme shall be redeemed at the final NAV determined for the Sub-scheme at its maturity. The redemption of Units may be suspended during extraordinary circumstances including closure of one or more markets in which any of the securities invested in by the Fund are traded, 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 NAV. The Management Company may announce a suspension or deferral of redemption. 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 procedure are given in Section 6.2.12 herein below.

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 authorised 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 SECP and publish the same in widely circulated newspaper(s) in the country.

#### **4.9 Transaction in Units**

Units can be purchased at the respective Offer (Issue) Prices and redeemed at the respective Redemption (Repurchase) Prices. The Management Company will fix the Offer and Redemption Prices of MSF and for the Schemes daily on the basis of the NAV of the Units of the respective Schemes after the close of the financial markets for the business day. In the event there are closed days, for any reason, following that business day; the NAV so determined shall be adjusted for the accrual of income or losses, if any, for such closed days. The NAV based price per Unit shall be fixed after adjusting for the Sales Load (Front-end Load) or the Redemption Load (Back-end Load) as the case may be and any Transactions Costs that may be applicable. Save under circumstances elaborated in Section 4.15 and Section 6.2.12 herein below, such prices shall be applicable to issue and redemption requests, complete in all respects, received during the business hours on the following business day. However, where the Management Company is of the view that, based on information available, the price exceeds or falls short of the current value of the underlying assets of MSF or a sub-scheme by 0.25%, it may defer dealing and announce a new price, which shall be applicable to Units being issued or redeemed on that date. In any event, the Management Company shall announce and apply new prices as required under Rule 80(7) of the Rules.

The Management Company may issue Units without Sales Load or with a reduced Sales Load to Unit holders opting to receive Units in lieu of a Scheme or Sub-scheme by 0.25% dividends or to Unit holders converting from another scheme managed by the Management Company, with a common trustee. The Management Company may also issue and redeem Units at a reduced or nil load under certain administrative arrangements, which would be disclosed in one or more supplementary offering document

#### **4.10 Investment Policy**

##### **4.10.1 Basic Policy**

4.10.1.1 The MSF shall invest in portfolio of Pakistan Rupee-denominated bonds and debt securities issued by the Government of Pakistan; Reverse Repurchase transactions (Reverse-REPOs) in government securities, i.e., purchase of a government security for ready settlement and the sale thereof for future settlement and any otherwise un-invested funds in deposits with banks or financial institutions, or in Sub-schemes and the Sub-schemes shall invest in portfolios of Pakistan Rupee-denominated bonds and debt securities issued by the government of Pakistan; Reverse Repurchase transactions (Reverse-REPOs) in government securities, i.e., purchase of a government security for ready settlement and the sale thereof for future settlement and any otherwise un-invested funds in deposits with banks or financial institutions, maturing within the tenure of the Sub-scheme;

4.10.1.2 For investments in sub-schemes, the allocation of MSF's and Sub-schemes assets shall be made by the Management Company within risk parameters approved by MBL as to the average duration of MSF's portfolio.

4.10.1.3 No sub-schemes shall invest in securities which mature after the Sub-scheme's own maturity. However, the Reverse-REPO transactions may be entered into without any restriction as to the maturity of the underlying security, provided that the transaction itself matures within the tenure of the Sub-scheme.

##### **4.10.2 Fundamental changes in policy**

Any fundamental 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.

#### **4.11 Investment Restrictions and Exposure Limits**

4.11.1 MSF has a policy of investing in authorized investment channels, or in the Sub-schemes and the Sub-schemes invest in Pakistan Rupee denominated debt securities issued by the Government of Pakistan and has therefore obtained an exemption from application of clauses (2), (3) and (4) of Rule 71 of the Rules (formerly clauses 2, 3 and 4 of Rule 13 of the Asset Management Companies Rules, 1995 (repealed).

4.11.2 MSF and the Sub-schemes will not at any time:

4.11.2.1 Invest in anything other than Authorised Investments as defined herein;

4.11.2.2 Invest in securities, transactions or deposits exceeding the maturities indicated in clauses 4.10.1.1, 4.10.2 and 4.10.1.3 above.

4.11.2.3 Make short sales of any security or maintain a short position.

4.11.2.4 Invest in any asset prohibited under the Rules.

#### **4.12 Exception to Investment Restrictions**

The Management Company may from time to time, for the account of the Fund, direct the Trustee to enter into underwriting or sub-underwriting contracts in relation to the subscription or purchase of Authorized Investments upon such terms in all respects as the Management Company shall think fit but subject always to the provisions of the Rules and Trust Deed and so that no such contract, if acquired would constitute a holding outside the Authorized Investments. All Authorized Investments acquired pursuant to any such contract shall form part of the Fund Property and any subscription or purchase moneys payable there under shall be paid out of the Fund Property.

#### **4.13 Transactions with Connected Persons**

- 4.13.1 The Fund shall not purchase from or sell any security to the Management Company or any director, officer or employee of the Management Company or any person who beneficially owns ten per cent or more of the equity of the Management Company save in the case of such party acting as intermediary.
- 4.13.2 For the purpose of sub-paragraph 4.13.1 above the term director, officer and employee shall include their relatives including the spouse, parents, children, brothers and sisters and other family members.
- 4.13.3 If uninvested cash is deposited with MBL, the rate of return on such deposit shall not be less than the prevailing rate of return on the deposit of that size and term of the deposit

#### **4.14 Borrowing Policy**

##### **4.14.1 Limit**

The Management Company may cause MSF and the Sub-schemes to borrow (in the Trustee's name) for meeting redemption request(s) amounts not exceeding fifteen percent of the NAV of the MSF or the relevant Sub-scheme (or such limits as prescribed by the Rules), at such terms as are considered appropriate by the Management Company. However, neither the Management Company nor the Trustee shall be liable for repayment of any loan or for providing any lien over their assets. Borrowing shall be carried out only to meet redemption requests.

##### **4.14.2 Exception**

The Trustee/ Management Company shall not be obliged to reduce the borrowing if, as a result of depreciation in the market value of investments or redemption of Units, the NAV is reduced subsequent to borrowing and consequently the limit set in paragraph 4.14.1 above is exceeded. However, the Management Company will endeavour to bring down the borrowing to within the prescribed limit within one month of the event.

##### **4.14.3 Pledge**

The Trustee may, with the approval of the Management Company mortgage, charge or pledge in any manner part of the Fund Property, as is required to secure the borrowings as described above on the best terms available. However, neither the Management Company nor the Trustee shall be liable for repayment of any loan or for providing any lien over their assets.

#### **4.15 Risk Disclosure And Disclaimer**

The Fund invests in a portfolio of Pakistan Rupee denominated bonds and debt securities issued by the Government of Pakistan; Reverse Repurchase transactions (Reverse REPOs) in Government Securities, i.e., purchase of a government security for ready settlement and the sale thereof for future settlement and any otherwise un-invested funds in deposits with banks or financial institutions. Such investments are subject to varying degrees of risk. The risk emanates from various factors that include, but are not limited to:

- The unlikely inability of the issuer (Government) of the instrument, the relevant financial institution or the counter party in the case of reverse repurchase or other arrangements to fulfill their obligations.
- Increase in lending rates as a result of a change in the supply and demand of liquidity in the market or on account of an increase of the underlying inflation rate.
- Break down of law and order, war, natural disasters etc.
- Volatility in prices resulting from their dependence on market sentiment, speculative activity, supply and demand for the securities and the liquidity in the market. The volatility in securities' prices results in volatility in the NAV based price of the Unit.



- The possibility of defaults by participants or failure of the financial markets, the depositories, the settlements or the clearing system.
- Any governmental actions, legislative changes or court orders restraining payment of principal or income.

4.15.1 Investment in this Fund is suitable for investors who have the ability to take the risks associated with financial market investments. Capital invested in the financial markets could in extreme circumstances lose substantial value. However, the investment in Pakistan Rupee based government debt securities and Reverse-REPO transactions in such securities tends to reduce the risk substantially. Based on the investment policy, it is expected that the Par Value of the Units of the Sub-schemes shall be paid back at the time of maturity of the respective Sub-schemes subject to any adjustment for routine expenses and any taxes imposed on the issue, holding or maturity value. The historical performance of this Fund, the financial markets or that of any one security or transaction included in the Fund's portfolio does not necessarily indicate future performance.

4.15.2 Prices of Units and income from them may go down as well as up. However, the Par Value of the Units of the Sub-schemes is expected to be paid back at the time of maturity subject to taxes applicable to the purchase, holding or maturity of the securities in which investment is made.

4.15.3 Under exceptional (extra -ordinary) circumstances the Management Company may declare suspension of redemptions, invoke a queue system or announce winding up – in such events the investor is likely to have to wait for payment beyond the normal period and the redemption amount so determined may be lower than the price at the time the redemption request is lodged.

4.15.4 **Disclaimer- The Units of the Fund are not bank deposits and are neither issued by, insured by, obligations of, nor otherwise supported by the SECP, any Government agency, the Trustee, the Management Company, any of the shareholders of the Management Company or any of the Core Investors or any other bank or financial institution (except to the extent specifically stated in this document and the Trust Deed).**

4.15.5 An investor may be forced to redeem units before the investor is intending to do so, through the application of clause 6.2.5 herein, relating to maintenance of minimum balance.

#### **4.16 Offering Document**

This Amended Offering Document sets out the arrangements covering the basic structure of the Fund. The maturity profile and the related investment policy for each Sub-scheme is covered by this Offering Document or the relevant Supplementary Offering Document. Further Supplementary Offering Documents may be issued to incorporate the terms of different plans offered under different administrative arrangements. Such Supplementary Offering Documents shall form a part of this Offering Document to the extent these relate to the administrative plans. The provisions of the Trust Deed govern this Offering Document and any Supplemental Offering Document. It sets forth information about the Fund that a prospective investor should know before investing in any Unit of the MSF under any of the administrative arrangements.

**Prospective investors should consult one or more from amongst their investment advisors, legal advisors, bank managers, stockbrokers, or other financial advisors .**

##### **4.16.1 Information given in this Document, Responsibility of Management Company**

AHIM accepts the responsibility for the information contained in this Offering Document as being accurate at the date of its publication.

## 5. ORGANIZATION AND MANAGEMENT

### 5.1 Management Company

Arif Habib Investment Management Limited (AHIM) is registered with the Commission as an asset management company and investment advisory company under the Rules. AHIM started operations by offering two funds with a total seed capital of Rs. 500 million in March 2002. AHIM, which offers both close and open-ended collective investment schemes, currently manages in excess Rs. 19 billion in assets. AHIM has developed a number of products for retail investors and set-up a network of branches and investment facilitators that give it outreach into major cities of Pakistan. It currently operates five open-ended and two closed-end mutual funds.

#### 5.1.1 Compliance and Transparency

- AHIM 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.

AHIM 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.

#### 5.1.2 The best performing Fund Manager

The Investment Advisor received the Mutual Funds Association of Pakistan's 'Performance Excellence Award' for 2003-04, in both fixed income and equity categories of open-end funds. AHIM received trophies for both Pakistan Stock Market Fund and Pakistan Income Fund.

Pakistan Premier Fund managed by the Investment Advisor has been selected in 25 Top Companies by the Karachi Stock Exchange for the year 2005 on the basis of highest marks obtained in relation to distribution, return on equities, turnover of shares, number of shareholders, corporate social contribution/ money donation and good corporate governance/ compliance with Code of Corporate Governance

#### 5.1.3 Ratings of Investment Advisor & Funds

##### 5.1.3.1 Rating of Investment Advisor

Management Company/Funds	Rating Agency	Rating	Rating Reflects
Arif Habib Investment Management Ltd (AHIM)	PACRA	AM2	The rating reflects the company's outstanding capacity to master the risks inherent in asst management. The rating recognizes the company's strong market position, sound internal systems and processes, a high degree of independence and control, qualified and experienced management team, effective asset allocations and risk management policies and continuous initiatives by the management for refinement in the system and processes to further enhance the efficiency of operations.

			<p><b>Credit Rating</b> long term rating short term rating These ratings denote a low expectation of credit risk emanating from a strong capacity for timely payment of financial commitments.</p> <p><b>A+</b> <b>A1</b></p> <p>The ratings reflect AHIM leading position in a rapidly evolving asset management industry. The company on the back of its experience management, quality systems and processes, strong control environment and a successful track record is well placed to exploit the emerging opportunities and maintain its market position and robust performance. The strong risk absorption capacity of the company and association with the Arif Habib Group are also key rating factors.</p>
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#### 5.1.3.2 Rating of Funds

Management Company/Funds	Rating Agency	Rating	Rating Reflects
Pakistan Stock Market Fund (PSM)	PACRA	5-star	The rating reflects a superior performance relative to its peers. The rating is a composite measure of two factors namely a) returns, b) risk associated with the returns measured by Sharpe Ratio.
Pakistan Income Fund (PIF)	PACRA	4-star	The rating reflects a good performance relative to its peers. The rating is a composite measure of three factors namely a) returns, b) risk associated with the returns measured by Sharpe Ratio, and c) credit quality of the assets.
Pakistan Premier Fund Limited (PPFL)	PACRA	5-star	The Rating reflects a superior performance relative to its peers. The rating is a composite measure of two factors namely a) returns, b) risk associated with the returns measured by Sharpe Ratio.
Pakistan Capital Market Fund (PCM)	PACRA	5-star	The rating reflects its superior performance. The rating is a composite measure of two factors namely a) returns, b) risk associated with the returns measured by Sharpe Ratio.
Pakistan Strategic Allocation Fund (PSAF)	PACRA	5-star	The rating reflects a superior performance relative to its peers. The rating is a composite measure of two factors namely a) returns, b) risk associated with the returns measured by Sharpe Ratio.

#### 5.1.4 Customer Facilitation through Technology

AHIM is the first fund manager in Pakistan to provide the facility of instant redemption through Automated Teller Machines (ATMs). A Unit Holder may 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.

5.1.5 **OPEN-ENDED FUNDS:**

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

<b>Name:</b>	<b>Pakistan Stock Market Fund</b>
Date of Launching:	March 12, 2002
Nature of Fund:	Equities Fund
NAV on June 30, 2006:	Rs. 3,617.732 million
Par value of unit:	Rs. 50.00
NAV per unit on June 30, 2006:	Rs. 114.29
Distribution (June 30, 2006):	60% Bonus

<b>Name:</b>	<b>Pakistan Income Fund</b>
Date of Launching:	March 12, 2002
Nature of Fund:	Money Market Fund
NAV on June 30, 2006:	Rs. 5,686.587 million
Par value of unit:	Rs. 50.00
NAV per unit on June 30, 2006:	Rs. 55.11
Distribution (June 30, 2006):	10 % Bonus

<b>Name:</b>	<b>Pakistan Capital Market Fund</b>
Date of Launching:	January 2004
Date of Conversion (Close to Open Ended)	November 21, 2005
Nature of Fund:	Asset Allocation
NAV on Launch:	Rs. 1,500 million
NAV on June 30, 2006:	Rs. 1,435.651 million
Par value of unit:	Rs. 10.00
NAV per unit on June 30, 2006:	Rs. 14.53
Distribution (June 30, 2006):	30.00% Bonus

<b>Name:</b>	<b>Metro-Bank Pakistan Sovereign Fund</b>
Date of Launching:	March 1, 2003
Nature of Fund:	Govt. Bonds Fund
NAV on June 30, 2006:	Rs. 1,013.660 million
Par value of unit:	50.00
NAV per unit on June 30, 2006:	49.49
Distribution (June 30, 2006):	NIL

<b>Name:</b>	<b>Pakistan International Element Islamic Fund</b>
Date of Launching:	April 27, 2006
Nature of Fund:	Islamic Fund
NAV on June 30, 2006:	Rs. 1,378.168 million
Par value of unit:	Rs. 50.00
NAV per unit on June 30, 2006:	Rs. 47.72
Distribution (June 30, 2006):	NIL

### 5.1.6 CLOSED-END FUNDS

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

<b>Name:</b>	<b>Pakistan Premier Fund Limited</b>
Date of Acquisition:	December 27, 2002
Nature of Fund:	Equities Fund
NAV on June 30, 2006:	Rs. 2,576.507 million
Par value of unit:	Rs. 10.00
Paid up Capital on June 30, 2006:	Rs. 1,476.563 million
NAV on June 30, 2006:	Rs. 17.45 per share
Distribution (June 30, 2006):	15.0% Cash (Interim 2006) 25.0% Cash (Final 2006)

<b>Name:</b>	<b>Pakistan Strategic Allocation Fund</b>
Date of Launching:	August 2004
Nature of Fund:	Contrarian Quantitative Model based Fund
NAV on Launch:	Rs. 3,000.00 million
Par value of unit:	Rs. 10.00
NAV on June 30, 2006:	Rs. 3,989.330 million
NAV per Unit on June 30, 2006:	Rs. 13.30 per Unit
Distribution : (June 30, 2006):	25% Cash

### 5.1.7 FINANCIAL HIGHLIGHTS OF MANAGEMENT COMPANY

(RUPEES IN '000)

Year Ended 30 June:	2005-06	2004-05	2003-04	2002-03	2001-02
Authorized Capital	100,000	100,000	100,000	100,000	100,000
Paid-up Capital	65,000	40,000	40,000	40,000	40,000
Total Equity	574,686	266,801	119,310	53,684	13,248
Total Assets	882,519	734,812	389,656	111,880	17,520
Revenue	609,610	348,540	141,855	38,988	6,974
Expenses	276,094	178,976	97,110	36,655	23,861
Profit/(Loss) after Tax	266,435	122,705	29,145	531	(16,914)
Distribution Cash	150 %	-	30%		
Bonus	100 %	30 %			

### 5.1.8 DETAILS OF SHAREHOLDING OF MANAGEMENT COMPANY

Sr. No.	Name	% of Holding
1	Arif Habib Securities Limited	62.40000 %
2	Mr. Arif Habib	15.99989%
3	Mr. Nasim Beg	10.00002 %
4	AHIM Employees Stock Beneficial Ownership Trust	11.59998%
5	Mr. John Kirkham	0.00002 %
6	Mr. Amin Umer	0.00002%
7	Mr. Muhammad Yousuf	0.00002%
8	Mr. Sirajuddin Casim	0.00002%
9	Mr. Saleem Chamdia	0.00002%
10	Mr. Akmal Jameel	0.00002%

### 5.1.9 PRINCIPAL SHAREHOLDER OF THE MANAGEMENT COMPANY

The main sponsor of the Management Company is Arif Habib Securities Limited (“**AHSL**”). AHSL is a public limited company listed on all three stock exchanges in Pakistan since 2001. The company was formed to continue the brokerage business that Mr. Arif Habib had formed in the late 1980s. Due to its excellent management, the company has made profits in every year since its incorporation and has been awarded the ‘Best 25 Companies’ award for each year since listing. The current capital of the company stands at over 5 billion and it has a record of being profitable for each year since its formation even in midst of market declines and other crisis.

The brokerage operations of the company have been recognized as one of the largest in Pakistan and it has successfully ventured into other financial services. AHSL has re-organized into a financial services and holding company and has transferred its brokerage business to Arif Habib Limited a wholly owned subsidiary. The re-organization was completed by the end of November 2005. The company’s business is now concentrated in corporate finance and project advisory and on its investment portfolio which includes direct investment in a number of businesses together with partner organizations.

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.

### 5.1.10 DIRECTORS OF THE INVESTMENT ADVISOR

<i>Name</i>	<i>Position</i>	<i>Other Directorships</i>	<i>Occupation</i>	<i>Address</i>
Mr. Arif Habib	Chairman	1. Arif Habib Securities Limited 2. Arif Habib Equity(Pvt.) Ltd 3. Rotocast Engineering Co. (Pvt.) Limited 4. Pakistan Premier Fund Limited 5. Arif Habib Rupali Bank Limited 6. Pak Arab Fertilizers (Pvt.) Limited 7. Thatta Cement Limited 8. Nooriabad Spinning Mills (Pvt.) Ltd. 9. Real Estate Modaraba Management Co. Ltd. 10. Al Ameerah Arif Habib (Pvt.) Limited 11. Arif Habib DMCC 12. Pakistan Private Equity Management Ltd. 13. Sukh Chayn Gardens Housing Estate (Pvt.) Ltd. 14. Essa Textiles & Commodities (Pvt.) Ltd. 15. Pakistan Security Printing Corporation (Pvt.) Limited 16. Safe Mix Concrete Products (Pvt.) Ltd. 17. Pakistan Engineering Company Ltd. 18. Fatima Fertilizer Company Ltd. 19. Takaful Pakistan Ltd.	Banker & Investment Management	86/2, 10 <sup>th</sup> Street Khayaban-e-Sehar, Defense Housing Authority, Karachi

<b>Name</b>	<b>Position</b>	<b>Other Directorships</b>	<b>Occupation</b>	<b>Address</b>
Mr. John Kirkham	Vice-Chairman	1. The Investors Partnership Consultancy Limited (UK), 2. World Era Ltd (HK)	Investment Management	28 The Charter Road, Woodford Green, Essex, IG8 9QU, UK
Mr. Nasim Beg	Chief Executive	1. Pak-Arab Fertilizer (Pvt). Ltd. 2. Real Estate Modaraba Management Co. Ltd. 3. Arif Habib Rupali Bank Ltd 4. Rotocast Engineering Company (Pvt.) Ltd 5. First International Investment Bank Ltd. 6. Haroon Oil Ltd. 7. Pakistan Private Equity Management Ltd. 8. Javedan Cement Limited 9. Arif Habib Securities Limited	Banker & Investment Management	F 61/6, Block 4, Clifton, Karachi
Mr. Muhammad Akmal Jameel	Director	1. Real Estate Modaraba Management Co. Ltd. 2. Arif Habib Securities Ltd. 3. Rozgar Microfinance Bank Ltd. 4. Pakistan Private Equity Management Ltd.	Fund Management	146-M, Block 2, PECHS, Karachi
Mr. Sirajuddin Cassim	Director	1. Arif Habib Securities Ltd. 2. Sigma Leasing Corporation 3. Sirajuddin Cassim (Pvt.) Ltd. 4. D. R. H. Logistics Pakistan (Pvt.) Ltd. 5. Real Estate Modaraba Mgt. Company Ltd.	Investment Management	D-43 Block 9, KDA Scheme No.5 Kehkashan, Clifton, Karachi
Mr. Muhammad Yousuf	Director	1. Arif Habib Limited 2. Real Estate Modaraba Mgt. Company Ltd.	Securities Brokerage	JM 4/775 Mustafa Garden, Jamshed Road, Karachi
Mr. Samad A. Habib	Director	1. Arif Habib Limited 2. Arif Habib Equity (Pvt.) Ltd. 3. Rotocast Engineering (Pvt.) Ltd. 4. Reliance Exports (Pvt) Ltd. 5. Pak Arab Fertilizers (Pvt.) Ltd. 6. Thatta Cement Ltd. 7. Nooriabad Spinning Mills (Pvt.) Ltd. 8. Real Estate Modaraba Mgt. Company Ltd.	Investment Management	86/2, 10 <sup>th</sup> Street, Khayaban-e-Sehar, Defense Housing Authority, Karachi

<i>Name</i>	<i>Position</i>	<i>Other Directorships</i>	<i>Occupation</i>	<i>Address</i>
Mr. Salim Chamdia	Director	1. Salim Chamdia Securities (Pvt.) Ltd. 2. Lucky Cotton Mills (Pvt.) Ltd. 3. Essa Textiles & Commodities (Pvt.) Ltd. 4. Sun Textile Mills (Pvt.) Ltd. 5. Pak Arab Fertilizers (Pvt.) Limited 6. Nooriabad Spinning Mills (Pvt.) Ltd. 7. Real Estate Modaraba Management Co. Ltd 8. Arif Habib Rupali Bank Ltd	Banker & Investment Management	14/1, 2nd Gizri Street, Phase IV, DHA, Karachi

### 5.1.11 PARTICULARS OF DIRECTORS AND COMPANY SECRETARY

#### 5.1.11.1 Mr. Arif Habib, Chairman

Mr. Arif Habib is the Chief Executive and Chairman of Arif Habib Securities Limited, a listed financial services holding company. He has worked on the Karachi Stock Exchange from 1971, and in 1989, founded, as a sole proprietorship, the brokerage firm that is now AHSL. In 1995, Mr. Habib converted the successful business into a corporate entity and, in June 2001, listed the Company on the Karachi, Lahore, and Islamabad Stock Exchanges.

Mr. Arif Habib has been elected Chairman/President of the Karachi Stock Exchange on six different occasions during the past fifteen years. Mr. Arif Habib is responsible for key modernizations in the securities market of Pakistan, including the installation of an automated trading system at the Karachi Stock Exchange, and the introduction of a dematerialized Central Depository System. He is also the founding Chairman of the Central Depository Company and has laid the foundation for a strong risk management system for the clearinghouse.

During 2003 he was selected to represent the private sector of Pakistan in the World Economic Forum meetings in Jordan. He has also participated in a number of professional advancement courses, including one on the development of Securities Market organized by the Securities and Exchange Commission of the United States, held in Washington, D.C. in 1992.

#### 5.1.11.2 Mr. John Kirkham, Vice Chairman

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.

#### 5.1.11.3 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. Mr. Beg served as the Deputy Chief Executive of NIT, which he joined during its troubled period, and played an instrumental role in its modernization and turn around. He also served as the Chief Executive for a few months. He has also been associated at top-level positions with other asset management and investment advisory companies. His experience in the financial sector consists of both the Pakistan domestic market as well as the international markets.



#### **5.1.11.4 Mr. Muhammad Akmal Jameel, Director**

Mr. Akmal Jameel, Chartered Financial Analyst, heads the Corporate Finance department of AHSL and is highly experienced in a broad range of capital market transactions. He has over 12 years of experience in financial markets and financial consulting in Pakistan and the Gulf. He has previously worked as a Supervising Consultant at Ernst & Young in Saudi Arabia, and with Anjum Asim Shahid & Company (Grant Thornton Associates) and Hagler Bailly Pakistan. He has extensive experience in structuring projects, evaluating private equity proposals and conducting feasibility studies and has been responsible for corporate finance and business development at AHSL.

#### **5.1.11.5 Mr. Sirajuddin Cassim, Director**

Mr. Sirajuddin Cassim is a Chartered Accountant and Director of AHSL. With over 40 new listings and public offers to his credit, he has vast technical experience in all aspects of public offers, from valuation, to document preparation, to listing on all three of the stock exchanges. Mr. Sirajuddin Cassim, a former Partner in Daudally Siraj & Company, Chartered Accountants, has been engaged in financial & investment advisory and corporate consultancy services since 1985. He has been a member of the Karachi Stock Exchange since 1975 and served on the board of Directors in the years 1990 and 1991. He has served as its Vice President 1993 and as President in 1995. He also served as Chairman of the CDC in 1995 and as the Vice President of the Institute of Chartered Secretaries and Managers from 1997 to 2000.

Mr. Cassim served as the Executive Director of Standard Chartered Mercantile Leasing Company Limited from 1989 to 1998. He has served as a member of the Taxation & Fiscal and Banking & Fiscal sub-Committees of the Karachi Chamber of Commerce and Industries and attended the General Assembly meeting and Technology meeting of the Federation of Euro-Asian Stock Exchange in the year 1995 and 1996.

#### **5.1.11.6 Mr. Mohammad Yousuf, Director**

Mr. Muhammad Yousuf heads the securities market division at Arif Habib Limited. He has been in the securities market since 1969. He has an intimate knowledge of the workings of the Karachi Stock Exchange and is well acquainted with other major traders. Mr. Ahmed has wide experience in all aspects of capital market transactions.

#### **5.1.11.7 Mr. Samad A. Habib, Director**

Mr. Samad Habib is the Chairman of Arif Habib Limited. He holds Masters Degree in Business Administration, with a major in finance from College of Business Management. He began his career with AHSL as a management trainee also worked as an Investment Analyst. After obtaining an MBA in August 2001, he was elected to the Company's Board of Directors. Mr. Habib has extensive experience in IPOs; Offers for sale, underwriting consortium arrangements, and in serving corporate clients, institutions and high net worth individuals for their investments in the securities market.

#### **5.1.11.8 Mr. Salim Chamdia, Director**

Mr. Salim Chamdia is the Chairman and Chief Executive of Chalim Chamdia Securities (Pvt.) Limited. He is a member of Institute of Chartered Accountants of Pakistan. He is an experienced veteran of the Karachi Stock Exchange. He has been engaged in financial & investment advisory and corporate consultancy services since 1985. He has been a member of the Karachi Stock Exchange since 1991 to 2000 and served on the board of Directors in the years 1993 to 1994 and 1996 to 2000. He has served as its Vice Chairman 1999 to 2000 and as Vice President in 1997. He has held both the Chairmanship of the Karachi Stock Exchange in 2002 and the National Commodity Exchange Limited (NCEL) from 2002 to 2004.

Mr. Chamida has headed various committees in the implementation of effective, efficient and reliable treasury procedures and the transfer of trading from Open Outcry System to Automated Trading System (KATS). He was fully involved in the evolution, introduction and implementation process of the Central Depository System, electronic transfer of shares in Pakistan

#### 5.1.11.9 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 Limited of which AHIM is the investment Advisor. He is also member of the Board of Arif Habib Rupali Bank Limited and Arif Habib Securities Limited

Syed Ajaz Ahmed has extensive national and international experience of the industry and financial sector, which spans over thirty years. Mr. Ahmed has also served as a consultant at Tasir Hadi Khalid (an associate of KPMG) and the Malaysian Customs.

In the financial sector, Mr. Ahmed's experience ranges from leasing to brokerage house to investment bank and asset management companies. His assignments have provided him exposure to settlement systems such as Euroclear, SWIFT and the CDC. Mr. Ahmed while serving at senior positions at various financial institutions have had in depth experience of various international markets in North America, Europe, Far East and Pakistan. These markets include stocks, money, commodities and forex. He also has operational experience of financial derivatives such as futures and options. Mr. Ahmed has also been involved in the setting up of companies.

## 5.2 Duties and Responsibilities of the Management Company

The responsibilities of the Management Company are to promote the sale of Units in the Fund, invest and manage the assets of the Fund according to the provisions of the Deed and the Rules, in good faith, to the best of its ability and without gaining any undue advantage for itself or any Connected Persons or its officers. The Management Company shall maintain proper accounts and records of the Fund to enable a complete view of assets and liabilities, income and expenditure and amounts received in respect of Units and paid out on redemptions of Units and by way of distribution. The Management Company shall prepare and transmit to Unit holders and SECP the annual report together with balance sheet and income and expenditure account and auditors report. The Management Company shall also prepare and transmit to Unit holders and SECP the balance sheet and income and expenditure account in respect of first half of the year duly certified by auditors with a limited scope and un-audited quarterly report at the end of first and third quarter. In the unlikely event of its occurrence, the Management Company shall account to Trustee for any loss in value of the assets of the Fund caused by its negligence, reckless or willful act or omission. The Management Company shall be responsible for all acts and omissions of all persons or agents to whom it may delegate the performance of its functions as a manager as if they were its own acts or omissions. The Management Company shall not be under any liability except such liability as may be expressly assumed under the Rules and the Deed nor shall the Management Company (save as otherwise provided) be liable for any act or omission of the Trustee nor for anything except its own negligence or willful breach of duty.

### 5.2.1 Management Agreement

For the benefit of investors, AHIM has entered into a Management Agreement with MBL, which will involve the bank in approving the risk management strategies of the Fund. MBL has invested Rs.250 million in the Fund as core capital and shall not redeem these units for at least two years from the date of said investment. MBL, as the banker of the Fund, will also offer instant redemption facilities to the investors. (A copy of Management Agreement is enclosed as annexure to the Initial Trust Deed).

### **5.3 Trustee Habib Metropolitan Bank Limited.**

Habib Metropolitan Bank was incorporated in Pakistan as a Public Listed Company in 1992 under the name, Metropolitan Bank Limited. The Bank commenced, duly licensed, full scheduled commercial-banking operations in October 1992.

Metropolitan Bank, from October 1992 to September 2006, remained a highly rated bank and, vide its nationwide 51-branch on-line network, established it's self as a distinguished provider of trade finance services.

On October 26, 2006 Habib Bank AG Zurich's Pakistan Operations was merged into Metropolitan Bank Limited and the merged entity was named as Habib Metropolitan Bank Limited (HMB). Demonstrating a strong commitment to Pakistan economy, HBZ remains the principal shareholder of HMB.

HMB operates in all major cities of the country. The Bank ranks within Top 10 in the country with a strong vision to be the most respected Financial Institution. HMB has its primary focus on retail banking and trade finance and also offers highly innovative E-Banking solutions and Consumer Banking to its customers. The Bank's Islamic Banking is fully capable of catering the customers seeking effective Shariah Compliance. The HBZ Group is heir to a rich tradition of banking and commerce dating back to more than 160 years. The group's flagship and HMB's principal, HBZ (incorporated 1967) enjoys International ranking of 687 in terms of capital. With Headquarters in Switzerland, the HBZ Group also operates in Hong Kong, Singapore, United Arab Emirates, Kenya, South Africa, United Kingdom and North America.

The Pakistan Credit Rating Agency (PACRA) has allotted both long-term and short-term ratings of Habib Metropolitan Bank Limited at "AA+" (Double A plus) and "A1+" (A one plus), respectively. These ratings, being the highest amongst the local sector Private Banks, denote a very low expectation of credit risk emanating from a very strong capacity for timely payment of financial commitments.

HMB distinguishes itself by delighting its customers with excellence of service, a highly dedicated team, fulfilling its social and ethical responsibilities while endeavoring to provide a superior return to all its stakeholders.

#### **5.3.1 Basic Role of the Trustee**

The Trustee will take into custody and/or under its control all the property of the Fund and hold it in trust for the Unit holders and the cash and registerable assets shall be deposited or registered in the name of, or to the order of the Trustee. The Trustee will carry out the instructions of the Management Company in all matters including investment and disposition of the Fund Property, unless they are in conflict with the Deed and this Offering Document or applicable laws. The Trustee shall also ensure that all issues and cancellations of Units of the Fund and the method adopted by the Management Company in valuing Units for the purposes of determining the Offer and Redemption Prices are carried out in accordance with the provisions of the Deed. The Trustee shall issue a report to the Unit holders to be included in the annual report, as to whether in its opinion, the Management Company has in all material respects managed the Fund Property in accordance with the provisions of the Rules and the Deed and, if the Management Company has not done so, the respects in which it has not done so and the steps the Trustee has taken in respect thereof. The Trustee shall institute or defend any suit, proceedings, arbitration or inquiry or any corporate or shareholders action in respect of the Fund Property or any part thereof if so requested by the Management Company in writing or, where it feels the necessity of doing so, for the purposes of protecting the Fund Property or the interest of the Unit holders, on its own. It is clarified that the Trustee shall be entitled to be reimbursed, out of the Fund Property, for all reasonable costs and expenses incurred in taking the aforesaid action(s). The Trustee shall be responsible for all acts and omissions of all persons or agents to whom it may delegate the performance of its duties, as if these were its own acts and omissions and shall liable for any loss in value of the

Fund Property where such loss has been caused by negligence or any reckless or willful act and/or omission of the Trustee or any of its directors, officers, nominees or agents. The Trustee shall not be under any liability on account of anything done or suffered by the Fund in good faith in accordance with or in pursuance of any request of the Management Company provided they are not in conflict with the provision of the Deed or the Rules.

#### **5.4 Core Investors**

The Core Investor of the Fund is MBL. The bank has subscribed a sum of Rs. 250,000,000 towards the purchase of 5,000,000 Core Units of Rs. 50 each of MSF. These Core Units were not redeemable for a period of two years from the date of the said investment, i.e., upto 27<sup>th</sup> December 2004. However, these Units were transferable with the condition that the Units may not be redeemed before upto 27<sup>th</sup> December 2004. During the said two years, there was no restriction on converting the Core Units into Units of one or more Sub-schemes, provided that the investment in such Sub-schemes was also governed with the same restriction; provided further that proceeds from any Sub-scheme that matured within the said two-year period was also required to be reinvested and retained in one or more Schemes till the expiry of the said two years. The Registrar had marked the restrictions in the Register with regard to these Units. Any transfer of these Core Units or related Units of the Sub-schemes, during the first two years of their issue, was required to be affected only on the receipt by the Registrar of a written acceptance of this condition by the transferee.

#### **5.5 Registrar**

5.5.1 By a separate agreement, the Management Company has appointed Gangjees Registrar Services (Private) Limited [Gangjees] as its agent to perform duties as the Registrar of the Fund. Gangjees will be responsible for maintaining the Unit holder's Register, preparing and issuing Accounts Statements, Unit Certificates and Dividend Warrants, and providing related services to the Unit holders.

Gangjees has the necessary human resource, computer hardware and software, which is designed to provide an efficient service to the Unit holders.

Certain services of the Registrar may be provided by the Distributor.

#### **5.6 Custodian**

5.6.1 The Trustee shall provide custodian service and shall open separate sub accounts for each Sub- scheme and shall ensure:

- i. Segregation of all property of the Fund from Trustee's own property and that of its other clients.
- ii. The smooth inflow/ outflow of securities and such other instruments as required.
- iii. Recovery of the benefits due to investments.

5.6.2 The Trustee may, if it considers necessary, appoint additional custodians with the approval of the Management Company and at such terms and conditions approved by the Management Company, for the safekeeping of any portion of the Fund Property.

#### **5.7 Distributors and Investment Facilitators**

5.7.1 Parties detailed in Annexure "D" have each been appointed as Distributors or sub-distributors to perform the Distribution Functions at their Authorised Branches. The addresses of these branches are given in Section 19 of this Offering Document. The Management Company may with the approval of the Trustee, from time to time, appoint additional Distributors or terminate the arrangement with any Distributor. The Management Company may itself perform some or all functions of a Distributor.

5.7.2 The Distributors will be responsible for receiving applications for issuance of Units and redemption/ transfer applications. They will be interfacing with and providing service to Unit holders, including receiving applications for change of address and other particulars or application for issuance of duplicate Certificates for immediate transmission to the Management Company, the Trustee or Registrar as appropriate.

- 5.7.3 The branches have been equipped with the necessary support staff, where the volume of potential business so justifies computer hardware and software to provide service to the investors and have established an efficient communication link with the Trustee, Management Company and the Registrar.
- 5.7.4 The Distributors may appoint sub-distributors under advice to the Management Company to perform some aspects of the distribution function but the Distributor shall be responsible for all acts and omissions of the sub-distributor appointed by it.
- 5.7.5 The Management Company or the Distributor may, at its own responsibility, from time to time, appoint Investment Facilitators (Facilitators). The Facilitators' function is to identify, solicit and assist investors in investing in the Fund. However, such Facilitators are not deemed qualified, simply by virtue of their appointment as Facilitators, to provide investment advice nor are they authorised to handle funds on behalf of the Trustee, the Management Company, the Fund's bankers or the Registrar. Distributors shall be deemed to be Facilitators. The Management Company shall remunerate the Facilitators out of the Front-end or Back-end Load included in the Offer (Issue) Price or deducted from the Redemption Price.
- 5.7.6 The Management Company may allocate some of the Registrar Functions to the Distributors either on an exclusive basis or in addition to the service being provided by the Distributors.

## **5.8 Auditors**

- 5.8.1 The auditors of the Fund are:  
A. F. Ferguson & Co.,  
Chartered Accountants  
State Life Building No. 1  
State Life Square  
I.I. Chundrigar Road  
Karachi, Pakistan
- 5.8.2 Auditors may be re-appointed for upto three consecutive terms. Thereafter, that auditor may only be appointed after a break in appointment.
- 5.8.3 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, Distribution Company or elsewhere and shall be entitled to require from the Management Company, Trustee and their directors, officers and agents such information and explanations as considered necessary for the performance of audit.
- 5.8.4 The Auditors shall carry out a continuous compliance audit with such scope and frequency of reporting as is agreed between the Trustee and the Management Company. Copies of the Auditor's reports shall be sent directly to the Trustee, with copies to the chief executive of the Management Company and one to the chairman of the audit committee of AHIM's board of directors.
- 5.8.5 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 as being considered necessary to facilitate the Trustee in issuing the certification required under the Rules
- 5.8.6 The Auditors shall prepare a written report to the Unitholders on the financial statements 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, statement or schedule appended thereto.
- 5.8.7 The contents of the Auditors report shall be as required in the Rules.

**5.9 Legal Advisors**

The legal advisors of the Fund are:

**Tahir Ali Tayebi & Co.**

310 Marine Point, Schon Circle, Block 9, Clifton, Karachi; and

**Bawaney & Partners**

404, 4<sup>th</sup> floor, Beaumont Plaza, 6-cl-10, Beaumont Road, Karachi.

**5.10 Bankers**

The bankers to the Fund are Habib Metropolitan Bank Limited and any other bank appointed by the Management Company. The Trustee operates the accounts.

## **6 PRINCIPAL FEATURES**

**6.1** Please read the entire document for complete understanding of the features

### **6.2 Characteristics of Units**

#### **TYPES OF UNITS**

##### **6.2.1 Units to rank pari passu -**

The Units of the respective Schemes rank pari passu with each other in the respective Schemes. However for the convenience of investors, the Management Company may issue Units with different options as to the administrative arrangements and consequently with differing quantum of the Front-end Load thereon. Units issued under the different administrative arrangements shall in addition to being governed by this Offering Document, be governed by the relevant Supplementary Offering Document, which would be issued for such administrative arrangements.

##### **6.2.2 Certificates**

Unit holders shall normally be issued Certificates representing the Units issued to them. Such Certificates shall normally be issued at the authorised branch of the Distributor bank at which the duly completed application is lodged. The Management Company may agree to delivery of the Certificates through some other means. Requests for redemption, transfer or transmission of Units shall be processed only on the production of the Certificates. In the event of loss or defacing of Certificates, the process shall be carried out subject to appropriate safeguards to the satisfaction of the Registrar. Certificates shall not be issued under certain plans governed by Supplementary Offering Documents. In the event the Units are being offered by the Management Company in the form of depository receipts or in dematerialised form at a depository, the Registrar may at the request of the Unit holder, cause the Units to be delivered to the appropriate depository.

##### **6.2.3 Statements of Account**

Where Certificates representing Units have not been issued, statements shall be sent to the Unit holders at their designated addresses after the close of every year and each time any activity takes place in the account indicating Units held at the statement date and the movement since the previous statement. The Unit holders may obtain more frequent statements by paying a nominal fee representing the costs involved.

##### **6.2.4 Registration of Lien**

The Registrar may register a lien on any Units in favour of any third party with the specific authority of the Management Company. However, the lien shall be valid only if evidenced by a lien letter issued in the form attached hereto as Annexure "C", which shall bear a special series sequential number and shall be signed by the Registrar and countersigned by two officers of the Management Company specifically authorised by its board of directors for signing letters of lien. The onus for due process having been followed in registering a lien shall lie with the party claiming the lien. (Please see Section 15.4.8). At the request of the Unit holder, a depository may record a pledge or lien on such Units of the Unit holder that are held by the depository. However, the Registrar, Management Company or the Trustee shall be responsible for such arrangements

##### **6.2.5 Minimum Amount of Investment**

The Management Company may from time to time amend the minimum amount of initial investment that is required to open an account with the Registrar. At the initial stage, the minimum amount of investment to open an account is 100 Units and the minimum amount for adding to an existing account is also 100 Units per transaction. However, since, as an administrative arrangement, the Management Company may be offering various plans, the minimum amounts for the plans shall be specified in the respective Supplementary Offering Documents. 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, 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.

#### 6.2.6 **Maximum Amount of Investment-**

The Management Company may from time to time amend the maximum amount of initial investment or total amount of investment by a single investor. No such restriction as to the maximum amount of investment to open an account or the maximum amount for adding to an existing account exists at the initial stage. The Management Company does reserve the right to fix the said maximum amounts. In the event the investment in any investor's account reaches the maximum level as a result of revised limits, changes in valuation, investment, transfer or transmission, the Management Company may instruct the Registrar/ Distributor to redeem the Units in such accounts at any time at the price applicable to redemptions on such date.

#### 6.2.7 **Issue of Units**

An application for purchase of Units may be lodged with any authorised Distributor/ Distributor Company (ies) (Distributor). The application shall be in the form prescribed by the Management Company. Application forms are available with Distributors or Investment Facilitators (Facilitators) or may be obtained from the Management Company through mail or its web site. Units shall be issued based on the Offer (Issue) Price that is fixed on the basis of the NAV determined (as described in clause 8.2) on the business day prior to the receipt of the duly completed application along with the funds in favour of the Trustee. However, where the Management Company is of the view that, based on information available, the price exceeds or falls short of the current value of the underlying assets of MSF or of any sub-scheme by 0.25%, it may defer dealing and announce a new price, which shall be applicable to Units being issued on that date. In any event, the Management Company shall announce and apply new prices as required under Rule 80(7) of the Rules. Funds may be paid in the form of a demand-draft or pay order issued by a scheduled bank in Pakistan, or through deposit of funds in a designated bank account of the Trustee. The Management Company may also notify from time to time, arrangements for accepting cheques or other forms of payment within such limits and restrictions considered fit by it. The aforesaid payment in the form of demand draft, pay order, cheque or deposit slip evidencing payment into a designated bank account must be handed over to a Distributor and acknowledgement on the investor's copy of the Application Form obtained. Cash can only be deposited in a bank account of the Trustee 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. Notwithstanding the above, nothing contained herein shall be construed as limiting or otherwise restricting AHIM's liability under Rule 65(c) of the Rules. The Procedure for purchase of Units is given in Section 12 of this document.

#### 6.2.8 **Redemption of Units**

At the maturity of any Sub-scheme, the Units outstanding of such Sub-scheme shall automatically become redeemable at the final redemption price that shall be announced by the Management Company. During the tenure of a Sub-scheme, a Unitholder may redeem Units by lodging a Redemption Request Form (the Form) with any authorised Distribution Agent (Distributor). In the event Certificates have been issued to represent the Units, the relevant certificates must also be lodged with the Form and acknowledgement on the investor's copy of the Form must be taken. Forms may be obtained from authorised Distributors or Facilitators or from the Management Company through mail or its Web Site. The Units shall be redeemed based on the Redemption Price that is fixed on the basis of the NAV determined (as described in clause 8.3) on the business day prior to the receipt of the duly completed Form (along with Certificates, where, applicable). However, where the Management Company is of the view that, based on information available, the price exceeds or falls short of the current value of the underlying assets of a scheme or sub-scheme(s) by 0.25%, it may defer dealing and announce a new price, which shall be applicable to Units



being redeemed on that date. In any event, the Management Company shall announce and apply new prices as required under Rule 80(7) of the Rules. The payment of the redemption value shall be made at the counter of a Distributor bank branch or by virtue of a transfer to the Unit holder's designated banker within six working days of the receipt of the Form conforming to the requirements herein. However, the terms contained in Section 6.2.12 shall supersede the terms of this clause in the circumstances indicated in Section 6.2.12. The Management Company may under special circumstances (or administrative arrangements) agree to pay the redemption amount directly to the Unitholder or his authorised representative. However, no payments shall be made to any intermediary. The procedure for redemption of Units is given in Section 13 of this document.

#### **6.2.9 Issue and Redemption of Units via Internet and ATM Facility**

A request for the issue of Units may also be made through the use of electronic means, that is, the Internet and ATM facilities. A request for redemption of Units may be made through the ATM facility only when the relevant bank/branches have been instructed by the Management Company to accept an Unitholders' request to redeem the Units of the concerned Scheme.

#### **6.2.10 Transfer and Transmission of Units**

The Registrar shall, subject to law, accept requests for transfer of Units from an existing investor to another. The transfer shall be carried out after the Registrar/ Distributor has satisfied himself of all requisite formalities including payment of any taxes if applicable and has recovered the fee prescribed for the service. Transmission of Units to successors in the case of inheritance or distribution of the assets of a deceased Unitholder 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. The procedure for transfer or transmission of Units is given in Section 14 of this document.

#### **6.2.11 Exiting Unit holder**

Once an exiting Unit holder has claimed and collected all his dues, he shall have no further claims against the Fund.

#### **6.2.12 Suspension of dealing, queue system and winding up**

Under the circumstances mentioned in clause 6.2.12.2 below, the Management Company may request the Trustee to approve a temporary change in the method of dealing in Units.

##### **6.2.12.1 Suspension of fresh issue of Units -**

The Management Company may at any time 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.

##### **6.2.12.2 Suspension of redemption of Units**

In the event of extra ordinary circumstances, the Management Company may suspend or defer redemption of Units. The circumstances under which the Management Company may suspend redemption shall be the event of war (declared or otherwise), natural disasters, a major break down in law and order, breakdown of the communication system, closure of the capital markets and /or the banking system or strikes or other events that render the Management Company, Registrar, Trustee or the Distributors unable to function.

### 6.2.12.3 Queue System

In the event redemption requests on any day exceed ten percent 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 upto ten percent of the Units in issue. The Management Company shall proceed to sell adequate assets of the Fund and/ or arrange borrowing as it deems fit in the best interest of all Unitholders 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 ten-percent 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-ten percent 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 of the Units then in issue.

### 6.2.12.4 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 are likely to result in the Fund being run down to an unsustainable 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. 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.

## 6.3. Distribution and Accounting Policy

### 6.3.1 Accounting Policy

The Sub-schemes are structured with predetermined maturity dates. All investments therein shall be made with their respective maturities falling within the maturity of the relevant Sub-scheme, with the intention of holding such investments as available for sale, in view of any disinvestments necessitated to meet redemption or any other declared obligations of the scheme specified in this document. Thus the accounting policy of MSF and each Sub-scheme is to hold investments as available for sale. Any fair value changes will be reported in equity until the investment is sold and the premium or discount on acquisition of such investment would be reported in net profit or loss as part of interest income or expense, using the effective interest rate method over the life of the investment.

### 6.3.2 Distribution Policy

The net amount available for distribution at the end of each quarter of the financial year (or such interim period as may be decided by the Management Company), shall comprise of the revenues earned by the Schemes including the net impact of the revenue collected/ paid out in the NAV calculation through sale and redemption, less all expenses, incurred or accrued attributable to the Fund and the adjustment of any realized capital gains or losses. The Schemes may distribute the entire amount available for distribution as bonus Units. However, in the event the tax impact is not significantly adverse, the capital gains realised are likely to be retained for reinvestment. The bonus units, if any, shall be sent to the Unit holders at their registered address. Any fractional amount left over after issuance of bonus Units shall be credited back into the accounts of the relevant Schemes. In the eursttribution, the amount shall be sent in the form of a divided warrant/ cheque to the Unit holders registered address

### 6.3.3 **Encashment of Bonus Units**

Unit holders may opt to receive the amount equivalent to their share of the distribution in cash. In such an event, the Management Company shall at the end of the financial year (or the relevant period in the event of an interim distribution) cause to redeem such number of Units of the Unit holder that approximately equate the value of the Bonus Units for the period. The redemption price shall be determined on the basis of the NAV applicable on the distribution date after appropriation of the distribution but without any charge of the back-end load normally deducted from the redemption price. The payment of the cash equivalent shall be made, net of any taxes that the Management Company or the Trustee is obliged to recover, by way of a cheque to the Unit holder's address registered with the Management Company.

6.3.4 The Management Company may alter the distribution policy in order to achieve tax efficiency in the best interest of the Unit holders.

### 6.3.5 **Issue of Units Outside Pakistan**

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. 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. The currency of transaction of the Fund 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 there from.

**7. PURCHASES AND REDEMPTION OF UNITS****7.1 Sales and Processing Charges (Front-end Load)**

The Unit offer (issue) price may be determined after including sales and processing charges not exceeding one half of one percent of the Offer Price as a load on the NAV of the Unit. 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 load (sales or processing charge) on the NAV. The offer prices in any event may include the imposition of Transaction Costs and Duties and Charges. Any transaction costs that are recovered shall be credited to the respective Scheme/s. The Management Company may announce different plans under different administrative arrangements with differing levels of load. The Management Company may, at its discretion, charge different levels of the load to different investors. (Please refer to revised Annexure “B” for the current level of load)

**7.2** The Redemption Price may be determined after deducting a processing charge not exceeding one half of one percent of the Redemption Price as a Back-end Load on the NAV. The Redemption Prices in any event may include the imposition of Transaction Costs and Duties and Charges. The Management Company may announce different plans under different administrative arrangements with differing levels of load. (Please refer to revised Annexure “B” for the current level of load)

**7.3** Transfer of Units from one owner to another shall be subject to a processing charge of an amount not exceeding one eighth of one percent of the Net Asset Value at the date the request, complete in all respects, 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 Unitholder. Any taxes or duties applicable on the transfer or transmission shall be payable by the transferee. (Please refer to Annexure “B” for the current level of processing charge).

**7.4** Units can be purchased at the Offer Price and redeemed at the Redemption Price at any of the Authorised Branches of the Distributors on any Subscription Day in accordance with the procedure set out in Sections 12 and 13 of this Amended Offering Document.

**7.5** During the period the Register is closed, as mentioned in Sections 6.2.12 and 14.5 of this Amended Offering Document, the sale and redemption of Units will be suspended.

**8. OFFER AND REDEMPTION PRICES**

- 8.1** The Management Company shall announce the Offer and Redemption (Repurchase) Prices daily, calculated on the basis of the NAV and adjusted for such load, transaction costs, charges and duties as are described herein. The method of calculation shall be cleared to the Trustee's satisfaction that such method is adequate for ensuring accurate calculation of the prices.
- 8.2** In the case of MSF and Sub-schemes, the relevant Offer Price shall be based on the respective NAV as of the close of the Business Day (in the event there are closed days, for any reason, following that Business Day, the NAV so determined shall be adjusted for the accrual of income or losses, if any, for such closed days), Transaction Costs as defined in clause 18.52, any Front-end Load (please refer to Annexure "B" for the current level of load) and such amount as the Management Company may consider appropriate provision for Duties and Charges and such sum to be adjusted upwards to the nearest paisa. The Offer Price so determined shall apply to purchase requests, complete in all respects, received by the Distributor during the business hours on the following day. However, where the Management Company is of the view that, based on information available, the price exceeds or falls short of the current value of the underlying assets of a scheme or sub-scheme(s) by 0.25%, it may defer dealing and announce a new price, which shall be applicable to Units being issued on that date. In any event, the Management Company shall announce and apply new prices as required under Rule 80(7) of the Rules. The Management Company may announce different plans under different administrative arrangements with differing levels of load. The Management Company may, at its discretion, charge different levels of the Front-end Load to different investors.
- 8.3** In the case of MSF and Sub-schemes, the relevant Redemption Price shall be based on the respective NAV as of the close of the Business Day (in the event there are closed days, for any reason, following that Business Day, the NAV so determined shall be adjusted for the accrual of income or losses, if any, for such closed days), less Transaction Costs as defined in clause 18.52, a Back-end Load (please refer to Annexure "B" for the current level of load) and such amount as the Management Company may consider appropriate provision for Duties and Charges and such sum 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 on the following day. However, where the Management Company is of the view that based on information available, the price exceeds or falls short of the current value of the underlying assets of a scheme or sub-scheme(s) by 0.25%, it may defer dealing and announce a new price, which shall be applicable to Units being redeemed on that date. In any event, the Management Company shall announce and apply new prices as required under Rule 80(7) of the Rules. However, the Back-end Load shall not be deducted from the NAV for such Units that are being converted for investment in another scheme being run by the Management Company. The Management Company may announce different plans under different administrative arrangements with differing levels of load. The Management Company may, at its discretion, charge different levels of the back-end load to different investors.
- 8.4** The Offer and Redemption Prices 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 newspaper(s). Such prices shall be subject to a continuous post audit by the Funds' Auditors. The Auditors shall provide copies of their reports direct to the Trustee at such frequency as is agreed amongst the Trustee, the Management Company and the Auditors. Under certain circumstances contained in section 6.2.12 the Management Company may suspend the announcement of the prices.
- 8.5** The prices determined as described hereinabove shall be subject to adjustment for any taxes payable in the jurisdiction of the transaction.

## **9. EXPENSES OF THE FUND**

**9.1** The following expenses will be borne by the Fund:

- 9.1.1 Remuneration of the Management Company at the rate prescribed in Annexure “B”. The minimum fee provided for in the Revised Annexure B shall be allocated between Funds on the basis described in the said Annexure;
- 9.1.2 Remuneration of the Trustee at the rate prescribed in Annexure “A”. The minimum fee provided for in the Revised Annexure “A” shall be allocated between Funds on the basis described in the said Annexure;
- 9.1.3 Brokerage and Transaction Costs related to investing and disinvesting of the Fund Property;
- 9.1.4 Legal and related costs incurred in protecting or enhancing the interests of the Fund or the collective interest of the Unit holders;
- 9.1.5 Fees, subscriptions and expenses relating to listing at any exchange, certification or rating by any agency, membership of any trade body or association;
- 9.1.6 Bank charges and borrowing/financial costs;
- 9.1.7 Audit Fees;
- 9.1.8 Formation Costs estimated at and not exceeding Rs. 2,500,000 to be allocated to sub-schemes in proportion to the size and the life of respective sub-scheme and amortized over a period not exceeding the life of that sub-scheme;
- 9.1.9 Taxes applicable to the Sub-schemes on their income, turnover, assets or otherwise.
- 9.1.10 Annual Fee payable to the SECP
- 9.1.11 Any other expenses relating to the Trust approved by the Trustee reasonably chargeable to the trust.
- 9.1.12 The above stated expenses shall be allocated amongst the Schemes to the extent these are directly attributable to the respective Schemes. Where any expense is not directly or exclusively attributable to a Scheme, it shall be allocated on the basis of the proportionate size (Net Assets) of the Schemes excluding investments made by the Scheme in the units of the Sub-Schemes or a combination of the size and the remaining life of the Schemes, whichever is determined as more appropriate by the Management Company in consultation with the Auditor of the Fund.

### **9.2 The Remuneration of the Management Company and the Trustee**

The Management Company and the Trustee shall be remunerated in the manner described in Section 11 herein below.

**9.3 The payment to Legal Advisors** (other than for legal costs incurred for setting up the Habib MetroBank- Pakistan Sovereign Fund or for protecting or enhancing the interests of the Fund or its Unit holders) will be made by the Management Company and there will be no separate charge on the Fund.

### **9.4 Expenses of the Management Company and the Trustee**

The Management Company and Trustee shall bear all expenditures in respect of their secretarial and office space and professional management including all accounting and administrative services provided in accordance with the provisions of the Deed. Neither the Management Company nor the Trustee shall make any charge against the Unit holders, the Fund Property, or against the Distribution Account for their services nor for expenses, except such expenses or fees as are expressly authorised under the provisions of the Rules and the Deed to be payable out of the Fund Property.

## **10. DETAILS OF EXEMPTIONS, TAXES LEVIED ON MSF**

The information herein below is accurate as of the date of the printing of this document. The taxability and tax rates are subject to change from time to time, as may be announced by the Government:

### **10.1 Taxation**

Provision for current taxation may be based on taxable income at current tax rates after taking into account tax rebates and tax credit available, if any.

### **10.2 Taxation on the Income of the Fund:**

Under the Tax Law in Pakistan, the definition of a public company includes a trust whose units are widely available to the public and any other trust as defined in the Trust Act, 1882 (II of 1882). Accordingly, the Fund will be regarded as a public fund liable to tax rate applicable to a public fund.

The income of the Fund would accordingly be taxed at the following rates:

1. Dividend income is taxable at the rate of 5% for public companies on gross income basis.
2. Capital gains on sale of shares listed on any Stock Exchange in Pakistan are exempted from tax till Income Year 2006-07.
3. All other income, if not otherwise exempt shall be taxed at the rate of 35% of net income.

Notwithstanding the tax rates given above, the income of the Fund will be exempted from tax; if not less than 90% of its accounting income of that year, as reduced by capital gains whether realized or unrealized, is distributed amongst the certificate holders. Further, under the provisions of clause 47 (b) of Part I of the second schedule to the Income Tax Ordinance, 2001 the Fund's income from dividend, profit on debt and commission is exempt from deduction of withholding tax under relevant provisions of law. It is the policy of the Fund to comply with this law so as to obtain tax exemption.

### **10.3 Capital Value Tax**

Capital value Tax and Withholding tax on sale/purchase of share/certificate

The amendment made through Finance Act 2006, in to the Provision of section 233-A of the income tax ordinance 2001 and capital value tax (Finance Act 1989) the following changes will be effective from July 01, 2006

- 1 0.02% Capital Value will be charged on purchase of all shares, Modaraba Certificates, any instruments of redeemable capital as define in Companies Ordinance 1984
- 2 0.02% Capital Value will be charged on purchase of all shares, Modaraba Certificates, any instruments of redeemable capital as define in section 233 of the Income Tax Ordinance 2001

### **10.4 Taxation on Certificate Holders and Liability for Zakat**

The information set forth below is included for general information purposes only. In view of the individual nature of tax consequences, each investor is advised to consult with his tax adviser with respect to the specific tax consequences to him of investing in the fund.

### 10.5 Tax Credit on Investment

Under clause 62 of the Income Tax Ordinance, 2001, individuals (not companies) receive a tax credit on investments in new shares offered to the public by a public company listed on a stock exchange in Pakistan where the individual is the original allottee of the shares. The tax credit is available only for investments up to Rs. 150,000 per person or 10% of total income whichever is less and only if the investment is held for one year or more. The amount of the tax credit is equivalent to the average tax rate times the investment allowed. This tax credit is available for individuals who apply for and receive certificates in the Fund.

### 10.6 Withholding Tax on Dividend

Unless exempt from such taxation by applicable law or double taxation treaties, the withholding tax on profit distribution by the Fund will be as under:

- Public companies including Insurance Company /  
any other Resident Company in Pakistan: 5%;
- Others: 10%.

In terms of the provisions of section 5 read with section 8 the Income Tax Ordinance, 2001, the withholding tax deducted at source on dividend would be final tax in respect of such income. However, under the provisions of sub section 4 of Section 18 of the Income Tax Ordinance, 2001 any amount received by a banking company or a non banking finance company, where such amount represents distribution by a mutual fund out of its income from profit on debt (such as profits on Treasury Bills, Pakistan Investment Bonds, Term Finance Certificates, Commercial Paper and Carry Over Transactions), shall be chargeable to tax at normal tax rates.

### 10.7 Zakat

Under Zakat and Ushr Ordinance, 1980, (XVII of 1980), except for certain category of investors, Certificates held by resident Pakistani Certificate holders are subject to Zakat at 2.5% of the value of Certificates held on the Zakat Valuation Date. Except for those Certificate Holders exempted under the said Ordinance, Zakat will be collected from the dividend payment and paid in to the government treasury.

### 10.8 Exemption from capital gains

Capital gains derived from the sale of listed securities are presently not liable to Income tax pursuant to clause (116) of part 1 of the Second Schedule of the Income Tax Ordinance, 2001. This exemption is presently available up to income year ending June 30, 2007.

**Disclaimer:** – The tax and Zakat information given above is based on the Investment Adviser tax adviser's interpretation of the law, which to the best of the Investment Adviser understanding is correct but Investors are expected to seek independent advice so to determine the tax liability arising from their investment in the Certificates of the Fund.



## **11. FEES AND CHARGES**

### **11.1 Management Fee:**

The Management Company was entitled to receive:

Remuneration out of the Fund Property based on the tariff of charges annexed to the Initial Offering Document as Annexure “B”, which rate was applicable upto September, 2004. However, with effect from October, 2004, the Management Company is now entitled to receive remuneration out of the Fund Property based on the revised tariff of charges, annexed to this Amended Offering Document as Revised Annexure “B”. The remuneration shall begin to accrue from the date of payment in full of all Units subscribed by the Core Investors. 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 for the total number of days in the calendar month concerned; the basis of allocation of the Management Fee between the Schemes is indicated in the Revised Annexure “B”.

**11.2** Provided that the remuneration so calculated shall not exceed the maximum remuneration allowed under the Rules.

### **11.3 Trustee Fee**

The Trustee was entitled to a monthly remuneration out of the Fund Property based on an annual tariff of charges annexed to the Initial Offering Document to the Initial Offering Document as Annexure “A”, which rate was applicable upto September, 2004. However, with effect from October, 2004, the Trustee is now entitled to receive remuneration out of the Fund Property based on the revised tariff of charges, annexed to this Amended Offering Document as Revised Annexure “A”. The remuneration shall begin to accrue from the date of payment in full of all Units subscribed by the Core Investors. 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 for the total number of days in the calendar month concerned. Any costs incurred by the Trustee such as legal and related costs incurred in protecting or enhancing the interests of the Fund or the collective interest of the Unit holders, are reimbursable at actual.

### **11.4 Sales Load (Front-end Load)**

The Unit issue price includes a Front-end Load of a maximum of one percent of the Offer Price (The current level of the Front-end Load is indicated in revised Annexure “B”). 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. Transfer of Units from one owner to another shall be subject to a processing charge of Rs.100 per transfer, 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 Unitholder. The Management Company may also issue Units at a reduced or no sales and processing charge under different administrative plans.

### **11.5 Redemption Charge (Back-end Load) -**

The Unit Redemption Price is calculated after deducting a Back-end Load not exceeding one percent from the NAV of the Unit. (The current level of Back-end Load is indicated in revised Annexure “B”). The Management Company may also redeem Units at a reduced or nil processing charge under different administrative plans.

## **12. PROCEDURE FOR PURCHASE OF UNITS**

### **12.1 Who Can Apply**

Any investor or any group of investors qualified or authorised to purchase the Units may make applications for the issue of Units in the Schemes. 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 pursuant to the procedures described in paragraph 12.2 below including but not limited to:

- 12.1.1 Citizens of Pakistan resident in Pakistan: In respect of minors below 18 years of age applications may only be made by their guardians.
- 12.1.2 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
- 12.1.3 Pakistanis resident abroad, foreign nationals and companies/banks 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 in the Schemes shall warrant that he is duly authorised to purchase such Units.

### **12.2 Application Procedure**

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

- 12.2.1 Fully completed application form for the purchase of Units, accompanied by the payment for the investment, as specified in paragraph 12.3 below and copies of the documents mentioned in sub-paragraphs 12.2.3 and 12.2.4 should be delivered at any of the Authorised Branches of the Distribution Companies.
- 12.2.2 The investor may designate a bank account with a bank operating in Pakistan. 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.
- 12.2.3 In case of individual applicants a photocopy of the Computerized National Identity Card of the applicant or any other form of identification acceptable to the Management Company.
- 12.2.4 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 Computerized National Identity Card of the officer to whom the authority has been delegated.
- 12.2.5 In case of existing Unit holders, if any of the documents have previously been deposited, fresh submission of documents will not be required provided that the deposited documents are acceptable to the Management Company. However, the account number must be provided to facilitate linking.
- 12.2.6 The applicant must obtain a copy of the application signed and stamped by an authorised 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 the Trustee's account 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. Notwithstanding the above, nothing contained herein shall be construed as limiting or otherwise restricting the Trustee's or the Management Company's liability under Rule 76(b) of the Rules.

- 12.2.7 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.
- 12.2.8 If, subsequent to receipt of the application by the Distributor, 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. Meanwhile 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 mark-up or compensation. 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 may be redeemed at the Redemption Price prevailing on the date the Units are so redeemed. The Unit holder shall not be entitled to any payment beyond the redemption value so determined.
- 12.2.9 In the event payment has been accepted by cheque, the Units shall be allocated on the day the cheque is cleared. However, the Management Company may impose such limits it deems fit as to the bank 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 application shall be treated as cancelled.

### **12.3 Payment**

Payment for Units can be made by bank draft, pay-order or by cheque, and under such conditions that the Management Company may allow payment by cheques (however, the Management Company may impose such limits it deems fit as to the bank on which the cheque is drawn and as to the monetary limits on cheques, which may vary for various class of investors), made payable to the Trustee and crossed "Account Payee only" and must be drawn on a Bank in the same town as the Authorised Branch of the relevant Distribution Company to which the application form has been submitted is located. Payment for Units in cash will only be accepted for deposit into an account of the Trustee at a bank branch designated by the Management Company for this purpose.

### **12.4 Joint Application**

- 12.4.1 Joint application can be made by up to four 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 Computerized National Identity Card or other identification document.
- 12.4.2 The first named Holder shall receive the certificates, 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.
- 12.4.3 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 or payment into the person's designated bank account shall be considered as the valid discharge by the Trustee of its obligations.

12.4.4 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.

**12.5 Allotment (Issue of Units)**

If an application duly delivered at or posted to the Authorised Branch of any of the Distribution Companies is accompanied by the payment as prescribed hereinabove, Units applied for will be allotted (issued) on the date of receipt if it is a Subscription Day, or, if not a Subscription Day, then on the next following Subscription Day.

### **13. PROCEDURE FOR REDEMPTION OF UNITS**

#### **13.1 Application Procedure**

The procedure herein below is designed for paper-based transactions. The Management Company may at a later date introduce electronic/ internet based alternatives for the transactions.

13.1.1 Unit holders may lodge requests for redemption, on any Subscription Day, by completing the redemption form prescribed Redemption Request Form (the Request) and endorsing the relevant Certificate(s), if issued, on the reverse of such Certificate(s) and submitting the same at the counter of the branch of the Distributor bank at which the Units were originally issued. The Distributor bank may make arrangements to entertain and settle a redemption request at a branch other than at which the Units were originally issued.

13.1.2 The applicant must obtain a copy of the Request signed and stamped by an authorised officer of the Distributor acknowledging the receipt of the Request and the certificate(s) if any.

#### **13.2 Payment of Redemption Proceeds**

The payment of the redemption value shall be made at the counter of the branch of the Distributor bank at which the Units were originally issued. The payment shall be made to the Unit holder (the first named joint holder if jointly held) against receipt of a redemption request conforming to the requirements herein. The Unit holder may request payment through immediate credit into the Unit holders bank account maintained with the Habib Metropolitan Bank or by a free of charge banker's cheque in favour of the Unit holder. Habib Metropolitan Bank in its capacity as the Distributor shall accept requests for redemption payments to the extent of Rs.25,000 in cash. The Distributor bank may make arrangements to entertain and settle a redemption request at a branch other than at which the Units were originally issued. However, the terms contained in Section 6.2.11 shall supersede the terms of this clause under the circumstances indicated in Section 6.2.11. The Trustee may under special circumstances or administrative arrangements agree to pay the redemption amount directly to the Unit holder or his authorised representative. However, no payments shall be made to any intermediary. The Management Company, at the request of Unit holder, may agree to change the mode of payment.

#### **13.3 Joint Holders**

Unless the Joint holders of Units have specified otherwise, all the Joint holders shall sign the Request for redemption of such Units.

#### **13.4 Partial Redemption**

For partial redemption of Units covered by a single Certificate, Unit holders must first apply for splitting of the Certificate.

#### **13.5 Redemption Requests in Excess of 10% of Units in Issue.**

The normal redemption process shall not apply in as much as it is in conflict with the process prescribed in Section 6.2.12 in which case the process described therein shall take over

#### **13.6 Redemption at maturity of Sub-schemes**

All Units of a Sub-scheme outstanding at its maturity shall automatically stand redeemed at the maturity date and shall cease to accrue any further income beyond that date. The procedure for payment of redemption amount is specified in clause 13.2 above.

## **14. TRANSFER OF UNITS**

### **14.1 Application Procedure**

The procedure herein below is designed for paper-based transactions. The Management Company may at a later date introduce electronic/ internet based alternatives for the transactions.

**14.2** A Unit holder can transfer Units held by him by:

14.2.1 Completing a prescribed Transfer Application Form to be signed by the transferor and transferee; and

14.2.2 Paying any applicable Duties and Charges; and

14.2.3 Submitting to any of the Authorised Branches of the relevant Distribution Company the Transfer Application Form and relevant Certificate, if issued. The Management Company may introduce Certificate(s) that are self-contained in as much as they may incorporate an appropriate design for recording transfers.

**14.3** Any person becoming entitled to hold the Units in consequence of the death, insolvency or winding up of any sole Holder or the survivors of Joint holder shall be registered as the Holder or Joint holder as the case may be, upon:

14.3.1 Paying any applicable Duties and Charges; and

14.3.2 Submitting to any of the Authorised Branches of the relevant Distribution Company the duly completed prescribed Transfer Application Form and relevant Certificate(s), if issued, with such evidence, which may prove his entitlement to the Units.

14.3.3 Application for transfer can be submitted on any Business Day during banking hours.

14.3.4 The Registrar/Distributor shall, on satisfaction of all requirements, record the transfer and shall send the relevant certificate(s) or statement of account to the transferee.

### **14.4 Partial Transfer**

Partial transfer of Units covered by a single Certificate is permitted through splitting of the certificate.

### **14.5 Closure of Register**

The Register shall be closed for a period of three days i.e. the 25<sup>th</sup>, 26<sup>th</sup> and 27<sup>th</sup> day of the month before the close of each quarter of every financial year. However, the Management Company may reduce the period of the closure if it finds such reduction practical. The Management Company may, from time to time, in consultation with the Trustee close the Register for further periods after giving notices of thirty days, provided that the Register is not closed for more than forty-five days in any one financial year.

## **15. SERVICE TO UNIT HOLDERS**

### **15.1 Availability of Forms**

All the forms mentioned and/or included in this Offering Document will be available at all the Authorised Branches of all Distribution Companies as well by post from the Management Company and from its web site. Investment Facilitators will also have limited stocks of the forms.

#### **15.1.1 Register of Unit Holders**

A Register of Unit holder shall be maintained by Gangjees Registrar Service (Private) Limited, in their capacity as the Registrar at 513, Clifton Centre, Clifton, Karachi.

**15.2** Every Unit holder will have a separate account identification number. Such account shall be used for recording Units held by the Unit holder in various schemes and their administrative plans run by the Management Company. Such account will reflect all the transactions in that account held by such Unit holder. However, certain plans may allocate a separate series of account numbers, which, may not be linked, to the other account number of the Unit holder.

**15.3** The Holder of non-certificated Units will be entitled to ask for copies of his account statement on any Business Day by applying to the Registrar in writing and providing such fee that the Management Company may notify.

### **15.4 Information in the Register**

The Register will normally contain the following information:

#### **15.4.1 About Unit holders**

15.4.1.1 Name of Unit holder/ Joint holders;

15.4.1.2 Address of Unit holder/first named Joint holder;

15.4.1.3 Computerized National Identity Card Number(s) of Unit holder/ Joint holders

15.4.1.4 Father's or Husband's name of Unit holder/ Joint holders;

15.4.1.5 Occupation of Unit holder/ Joint holders;

15.4.1.6 Taxability code, and

15.4.1.7 Bank details (except for cases where the Management Company agrees to alternate arrangements)

#### **15.4.2 About Units**

15.4.2.1 Type (name of the Scheme and its variation)

15.4.2.2 Distinctive numbers if allotted;

15.4.2.3 Certificate number, if applicable;

15.4.2.4 Dates of purchase/ redemption/ transfer and the reference number, if any;

15.4.2.5 Number of Units held in various schemes; and

15.4.2.6 Record of verification of Transfer forms/ Redemption

#### **15.4.3 Instructions**

15.4.3.1 Instruction about reinvestment or payment of dividend or the encashment of bonus Units;

15.4.3.2 Instructions if redemption application is to be signed by first named Joint holders only;

15.4.3.3 Information and instructions about pledge of Units; and

15.4.3.4 Information and instructions about nominees in case of death of a Unit holder.

#### **15.4.4 Request for Changes:**

The Unit holders shall write to the Registrar if any change is desired in their particulars or instructions.

#### **15.4.5 Certificates**

15.4.5.1 Certificates will be issued by the Distributor against payment, representing the number of Units purchased. However, the Management Company may allow the delivery of the Units in dematerialised form to a depository.

#### 15.4.6 **Replacement of Certificates**

15.4.6.1 The Registrar or Management Company may replace certificates, which are defaced, mutilated, lost or destroyed on application to the relevant Distribution Company and on payment of all costs, and on such terms as to evidence, indemnity and security as may be required. Any defaced or mutilated Certificate must be surrendered before a new Certificate is issued.

15.4.6.2 The Unit Holder shall on application on prescribed form be entitled to consolidate the entire holding in the Fund into one Certificate upon surrender of existing Certificates.

15.4.6.3 Each new issue of Certificates will require payment of Rs.50 per Certificate.

#### 15.4.7 **Account Statement**

For Unit holders holding Units in non-certificate form, the Registrar will send directly to each Unit holder a non transferable account statement each time there is a transaction in the account, i.e., Units are (1) subscribed, (2) redeemed (3) transferred in favour of third person (4) transferred from third person (5) consolidated/ split and (6) additional Units are issued against bonus issue or re-investment of dividend. An account statement will be posted within 7 Business Days after each relevant transaction. However, the frequency of statements may vary under different administrative plans governed by the respective Supplementary Offering Documents.

#### 15.4.8 **Pledge/Lien of Units**

15.4.8.1 Both Sole Holders/ and Joint holders may request the Registrar to record a pledge/lien of all or any of his/their Units in favour of any third party legally entitled to invest in such Units in its own right. The Registrar shall register a lien on any Units in favour of any third party with the specific authority of the Management Company. However, the lien shall be valid only if evidenced by a lien letter issued in the form attached hereto as Annexure "C", which shall bear a special series sequential number and shall be signed by the Registrar and countersigned by two officers of the Management Company specifically authorised by its board of directors for signing letters of lien. The onus for due process having been followed in registering a lien shall lie with the party claiming the lien.

15.4.8.2 The lien letter shall record particulars of the bank account of the party obtaining the lien.

15.4.8.3 The lien once registered shall be removed by the authority of the party in whose favour the lien 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/ charge/lien. The disbursement of any loan or undertaking of any obligation against the creation of such pledge/charge/lien by any party shall be at the entire discretion of such party and neither the Trustee nor the Management Company or the Registrar takes any responsibility in this matter.

15.4.8.4 Payments of dividends or the issue of bonus Units and redemption proceeds of the Units under lien/charge/pledge shall be made to the lien/ charge/ pledge holder for the account of the Unit holder.

#### 15.4.9 **Nomination**

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 by completing the prescribed nomination form and submitting the same to the Authorised Branch of the relevant Distribution Company



## **15.5 Financial Reporting**

The following reports will be sent to the Unit holders:

- 15.5.1 Audited financial statement, together with the auditors report, the report by the Management Company and the report by the Trustee within four months of the close of each Accounting Period. The Management Company shall be responsible for sending the Trustee's report along with the other reports; however, in the event the Trustee's report is not available for dispatch within the prescribed time period, the Management Company shall inform the Unit holders of the fact in writing.
- 15.5.2 Half yearly audited account with limited scope, together with the report by the Management Company within two months of the close of the first half of each Accounting year.
- 15.5.3 Quarterly un-audited accounts together with the report by the Management Company within one month of the close of the first & third quarter of each Accounting Period.

## **15.6 Income Distribution**

### **15.6.1 Accounting Period**

The Accounting Period commenced from the date of registration of the Fund for the first year to June 30, 2003 and from July 1 to June 30 for all the following years.

### **15.6.2 Declaration of Dividend**

The Management Company shall decide within the book-closure period every quarter whether to distribute profits if any, available for distribution in the form of cash dividends or bonus to the Unit holders. The balance of the net income will be retained for re-investment in the Fund

### **15.6.3 Determination of Distributable Income**

The amount available for distribution in respect of any Accounting Period shall be the sum of all accruals of the nature of income and net realized appreciation, from which shall be deducted the expenses/taxes, as stated in paragraph 9 of this Offering Document. The income qualifying for distribution shall be adjusted as under:

- 15.6.3.1 By additions of a sum representing amounts included in the price of Units for income accrued upto or deduction of losses accrued to the date of issue; and amortisation of premiums or discounts at which any securities are bought etc
- 15.6.3.2 By deduction of a sum representing all participation in income distributed or addition of losses recovered upon redemption of Units;

### **15.6.4 Encashment of Bonus Units**

In the event a dividend is declared in the form of bonus Units, such Units shall be added to the holding of the Unitholders. A Unitholder may elect to receive the cash value of the bonus Units provided such Unitholder 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.

### **15.6.5 Payment of Dividend**

All payments for dividend shall be made, subject to deduction of taxes and Zakat applicable, by the Registrar through Dividend Warrants or by transfer of funds to the Unitholder's (or the first named joint holder's or the charge-holder's) designated bank account. The dividend warrant or the transfer shall be sent to the Unitholder's address or designated banker within 30 days after the declaration of the dividend.

### **15.6.6 Dispatch of Dividend Advice**

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

**16 FINANCIAL INFORMATION****16.1 Core Investors' Investment in the Units of MSF.  
Habib Metropolitan Bank Limited Rs. 250,000,000****16.2 Auditors Certificate on Net Asset Value of Units in MSF**

The Board of Directors,  
Arif Habib Investment Management Limited,  
Al-Sehat Centre  
Rafiqui Shaheed Road  
Karachi 75350.

February 25, 2003  
C-1984

Dear Sirs,

**METROBANK-PAKISTAN SOVEREIGN FUND (MSF) AND ITS SUB -SCHEMES**

As requested by you we ascertained from the books of accounts and records of MetroBank, Pakistan Sovereign Fund and its sub-schemes that the Net Asset Value of each of its units as at February 25, 2003 was as follows:

	<b>MSF Perpetual</b>	<b>MSF Dec 2012</b>	<b>MSF Dec 2007</b>	<b>MSF Dec 2005</b>	<b>MSF Dec 2003</b>
Total Assets	253,680,825	76,392,375	14,193,131	12,179,708	150,915,611
Less: Total Liabilities	2,275,552	1,077,256	172,129	110,556	915,611
Net Assets	251,405,273	75, 315,119	14,021,002	12,069,152	150,000,000
Number of units issued as at 25 February 2003	5,000,000	1,480,000	280,000	240,000	3,000,000
NAV per unit	<b>50.28</b>	<b>50.89</b>	<b>50.08</b>	<b>50.29</b>	<b>50.00</b>

This letter is being issued only for submission as part of MetroBank – Pakistan Sovereign Fund offering document.

Yours truly

**-sign-**

A.F.Ferguson & Co.  
Chartered Accountants

**16.3 Formation Cost**

Formation Cost shall be borne by MSF .The Formation Cost shall be allocated to the Sub-schemes in proportion to their size and life and shall be amortized over a period of not exceeding the respective life of the Sub-scheme. The cost is estimated at Rs 2,500,000.

## **17. TERMINATION, LIQUIDATION AND DISTRIBUTION OF MSF AND SUB -SCHEMES**

### **17.1 TERMINATION AND LIQUIDATION**

- 17.1.1 The Sub-schemes shall be terminated and liquidated on the pre-determined dates specified in the Offering Document/relevant Supplementary Offering Documents.
- 17.1.2 The Management Company may terminate MSF at any date, for reasons to be recorded by it. In such event, the Management Company shall request the SECP to de-authorize MSF;
- 17.1.3 The Management Company may terminate any Sub-scheme prior to its pre-determined date of maturity for reasons to be recorded by it. In such event, the Management Company shall request the SECP to de-authorize the relevant Sub-scheme;
- 17.1.4 The Management Company shall give at least three months notice to Unitholders and shall disclose the grounds of its decision for terminating any Scheme and shall not accept requests for further issuance or redemption of Units.
- 17.1.5 In the event the Management Company is of the view that the quantum of redemption requests that have built up shall result in any Scheme 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 Unitholders who are not redeeming, it may announce winding up of the relevant Scheme without notice.
- 17.1.6 The Schemes may also be terminated by the SECP on the grounds given in the Rules.
- 17.1.7 The Fund may be terminated in accordance with the conditions specified in the Rules if there is any breach of the provisions of this Deed by the Trustee or the Management Company regarding the Unit Trust

### **17.2 Distribution and Liquidation Process**

- 17.2.1 Upon MSF being terminated or a Sub-scheme being terminated before maturity, the Management Company shall stop the sale and redemption of Units of the relevant Scheme 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.
- 17.2.2 The Trustee on the recommendation of the Management Company shall from time to time distribute to the Unitholders 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-clause 17.2.1 above and retaining such sum as considered or apprehended by the Management Company for all costs, charges, expenses, claims and demands.
- 17.2.3 In the case of any Sub-scheme being liquidated at its pre-determined maturity date, the investments shall be realised on or before such date. The amount representing the Par Value per Unit shall be paid to the Unitholders within one week of the maturity date. The surplus, if any, shall be paid after accounting for any applicable costs and expenses within one month of the termination date.
- 17.2.4 Distribution of liquidation proceeds shall be made against surrender of the Unit certificates or a valid claim by the depository if any. However, in the event a certificate has been lost, stolen or misplaced the Management Company and the Trustee may agree to pay the proceeds after satisfying themselves of the validity of the claim.
- 17.2.5 Any liquidation proceeds remaining unclaimed for any period of time shall be retained in a bank account by the Trustee. Such amounts shall not accrue any mark-up or profit.

## 18. DEFINITIONS

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

18.1 **“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 SECP and the Commissioner of Income Tax, change such date to any other date.

18.2 **“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.

18.3 **“AMC”** means Asset Management Company

18.4 **“Auditors”** means, such audit firm that is appointed as the auditor of the Unit Trust Scheme;

18.5 **“Authorised Branch”** means those branches of the Distributor whose address has been given in this Amended Offering Document.

18.6 **“Authorized Investment”** means any of the following:

18.6.1 Pakistan Rupee denominated bonds and debt securities issued by the government of Pakistan; hereinafter referred to as government securities;

18.6.2 Deposits with Banks or financial institutions;

18.6.3 Reverse Repurchase transactions (Reverse REPOs) in government securities, i.e., Purchase of a government security for ready settlement and the sale thereof for future settlement.

18.7 **“Back-end Load”** means a Processing Charge, notified in this Offering Document, deducted by the Management Company from the Net Asset Value in determining the Redemption Price.

18.8 **“Bank”** means a scheduled bank within the meaning of State Bank of Pakistan Act or if operating outside Pakistan, an institution providing banking services under the banking laws of the jurisdiction of its operation outside Pakistan.

18.9 **“Bank Accounts”** means those accounts the beneficial ownership of which rests in the Unitholder and for which the HMB has been appointed the Trustee.

18.10 **“Beneficial Owner”** includes one who although not the nominal or registered owner of any property, is, by virtue of the arrangements affecting such property, entitled to the benefit of such property for himself, either alone or with others in undivided shares, as the case may be.

18.11 **“Business Day”/“Dealing Day”** means a day (such business hours thereof) when Banks counter are open for business in morning session in Pakistan.

18.12 **“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.

18.13 **“Connected Person”** shall have the same meaning as in the Rules.

18.14 **“Constitutive Documents”** means the Deed and this Amended Offering Document and Supplementary Offering Documents which are the principal documents governing the formation, management and/or operation of the Fund.

18.15 **“Core Investors”** of the Scheme shall be such initial investors whose subscription shall in aggregate be in compliance of the requirements of clause 10(2) (e) of the Rules. The Core Investors shall be issued with Core Units representing their subscription. Details of the Core Investors are included in this Offering Document that is issued for this Trust.

18.16 **“Core Units”** shall mean such Units of MSF that are issued to Core Investors. The Core Units shall be issued with the condition that these are not redeemable for a period of two years from the date of issue. During the said two years, there is no restriction on converting the Core Units into Units of one or more Sub-schemes, provided that the investment in such Sub-schemes shall also be governed with the same restriction; provided further that proceeds from any Sub-scheme that matures within the said two-year period shall be reinvested and retained in one or more Schemes till the expiry of the said two years. The Core Units and the related Units of the Sub-schemes are transferable with this condition and shall rank pari passu with all other Units of the respective Schemes, save for this restriction. Any transfer of these Core Units or the Units of the related Sub-schemes, during the first two years of the issue of the Core Units, shall be effected only on the receipt by the Registrar of a written acceptance of this condition by the transferee.

18.17 **“Custodian”** means a bank 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.

18.18 **“Distribution Account”** means the account (which may be a current, saving or deposit account) maintained by the Trustee with a Bank approved by the Management Company in which the amount required for distribution of income to the Holders shall be transferred.

18.19 **“Distributor and Distribution Company or Distribution Companies”** means a Company or Companies, firm or a 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;

18.20 **“Distribution Function”** means the functions with regard to:

18.20.1 Receiving applications for issue of Units together with aggregate Offer Price for Units applied for by the applicants;

18.20.2 Issuing receipt in respect of 18.20.1 above;

18.20.3 Interfacing with and providing services to the Holders including receiving redemption/transfer applications, and applications for change of address or bank details or issue of duplicate Certificates for immediate transmission to the Management Company or the Registrar as appropriate; and

18.20.4 Accounting to the Trustee for

(i) monies received from the applicants for issuance of Units;

(ii) payments made to the Holders on redemption of Units; and

(iii) expenses incurred in relation to the Distribution Function.

18.20.5 The Management Company may assign some or all of the Registrar functions to a Distributor.

18.21 **“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.

18.22 **“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 Documents, issue, legal costs, printing, circulation and publication of this Offering Document, announcements describing the Fund and related administrative investment plans inviting investment therein and all expenses incurred during the period leading up to offer of the units to the public. Such Formation Cost shall be allocated to the Sub-schemes by the Management Company in proportion to the life and size of the Sub-scheme.

18.23 **“Front-end Load”** means the sales and processing charges, also described as Sales Load in clause 11.4, payable to the Management Company, which are included in the Offer Price of Units.

18.24 **“Fund”** means collectively, MSF and the Sub-schemes.

18.25 **“Fund’s Auditors”** mean the Auditors.

18.26 **“Fund Property”** means, with respect to the individual Schemes, the aggregate proceeds of the sale of Units of the respective Schemes at Offer Price and any Transaction Costs recovered in the Offer or Redemption prices after deducting there from or providing there against 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 there from 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 Unitholders pursuant to the Deed but does not include any amount standing to the credit of the Distribution Account.

18.27 **“Holder” or “Unitholder”** means the investor in any of the Schemes for the time being entered in the Register as owner of a Unit including investor jointly so registered pursuant to the provisions of this Offering Document

18.28 **“Investment”** means any Authorized Investment forming part of the Fund Property.

18.29 **“Investment Facilitator”** (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 the Facilitators out of the Sales Load collected by it in the Offer Price. The Management Company itself may act as a Facilitator.

18.30 **“Metro Bank - Pakistan Sovereign Fund” and “MSF”** means the Unit Trust constituted by the Trust Deed for continuous offer for sale of Units, and, where the context so requires, the relevant Sub-schemes, which are identified by an appropriate maturity date.

18.31 **“Net Assets”** means the excess of assets over liabilities of the respective Schemes, such excess being computed in the manner specified hereunder:

18.31.1 An investment purchased and awaiting payment against delivery shall be included for valuation purposes as security held, and the books of account of the Trust 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;

18.31.2 An investment sold but not delivered pending receipt of proceeds shall be valued at the net sale price;

18.31.4 A security bought and sold under a reverse repurchase transaction, which has to be settled at a future date, shall be valued by taking the net effect 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. The value of any benefits or rights which may have been declared on securities in the portfolio but not received by the trustee as of the close of business on the valuation date shall be included as assets of the trust, if the security upon which such benefits or rights were declared is included in the assets and is valued ex-benefits or ex-rights as the case may be;

18.31.5 Securities 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;

18.31.6 Return/mark-up accrued on any fixed return/mark-up bearing security in the portfolio shall be included as an asset of the fund if such accrued fixed return/mark-up is not otherwise included in the valuation of the security;

18.31.7 Any value accrued (or loss incurred), realised or otherwise, on any commitment entered into on behalf of the Trust;

18.31.8 Any other income accrued up to the date on which computation was made shall also be included in the assets; and

18.31.9 All liabilities, expenses, taxes and other charges due or accrued up to the date of computation which are chargeable under the Trust Deed shall be deducted from the value of the assets;

18.32 **“Net Asset Value”** means per Unit value of the relevant Scheme arrived at by dividing the Net Assets by the number of Units outstanding for such Scheme.

18.33 **“Offer Price”** means the sum to be paid to the Trustee for issuance of one Unit of the relevant Scheme, such price to be determined pursuant to Clause 19 of the Trust Deed and as stated in this Amended Offering Document.

18.34 **“Offering Document”** means the Initial Offering Document issued on \_\_\_\_\_, 2003 as amended vide this Amended Offering Document and shall include any Supplementary Offering Documents (approved by the SECP), which contain the investment and distribution policy and all other information in respect of the Fund, as required by the Rules and are calculated to invite offers by the public to invest in the Fund.

18.35 **“Ordinance”** means Companies Ordinance 1984.

18.36 **“Par Value”** means the initial price of fifty Rupees per Unit at which the Core Units shall be issued and in the case of Units of the Sub-schemes, fifty Rupees per Unit.

18.37 **“Personal Law”** means the law of inheritance and succession as applicable to the individual Unit holder.

18.38 **“Redemption Price”** means the amount to be paid to the relevant Holder of a Unit of a Scheme upon redemption of that Unit. Such amount to be determined pursuant to Clause 22 of the Trust Deed and as stated in this Amended Offering Document.

18.39 **“Redemption Request Form”** means the prescribed form, as described in this Amended Offering Document.

18.40 **“Register”** means the Register of the Holders kept pursuant to the Rules and the Trust Deed.

18.41 **“Registrar”** means an organisation that the Management Company may appoint for performing the Registrar Function.

18.42 **“Registrar Functions”** means the functions with regard to:

18.42.1 Maintaining the Register;

18.42.2 Processing requests for issue, redemption, transfer and transmission of Units and requests for recording of lien or for recording of changes in data with regard to the Unitholders

18.42.3 Issuing account statement to the Holders;

18.42.4 Issuing Certificates including Certificates in lieu of un-distributed income to Holders;

18.42.5 Dispatching income distribution warrants and bank transfer intimations; and

18.42.6 Canceling old Certificates on redemption or replacement.

18.42.7 Processing requests for issue of duplicate certificates in place of lost, stolen, destroyed or mutilated certificates after taking necessary precautionary measures at the cost of the Unitholder

18.43 **“Rules”** means the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 as amended from time to time.

18.44 **“Sales Load”** means the sales and processing charge or commission (excluding Duties and Charges) as prescribed in this Amended Offering Document. The Management Company may apply different levels of Sales load for different Plans under the Scheme. The Management Company ay, at its discretion, charge different levels of the load to different investors.

18.45 **“Schemes”** means MSF and the Sub-schemes; the singular usage of the word “Scheme” shall mean MSF or any one of the Sub-schemes as the context may require

18.46 **“SECP”** means the Securities and Exchange Commission of Pakistan.

18.47 **“Sub-scheme”** means such number of tranches of a specified tenure as are structured at the initial stage and disclosed in this Amended Offering Document; and any additional tranches that may be issued by the Management Company in consultation with the Trustee from time to time.

18.48 **“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 seven days notice in the news papers declare any particular Business Day not to be a Subscription Day.

18.49 **“Supplementary Offering Document”** means a document issued by the Management Company, in consultation with the Trustee, after seeking approval of the SECP, describing the special features of a Sub-scheme or an administrative plan offering investment in any Sub-scheme or a combination of Sub-schemes.

18.50 **“Transfer Application Form”** means the prescribed form, as described in this Amended Offering Document

18.51 **“Transaction Costs”** means the costs incurred or estimated by the Management Company to cover the costs (such as, but not restricted to bank charges, brokerage, bid and offer spread, Trustee charges, taxes or levies on transactions, etc.) related to the movement of funds or securities and to the investing or disinvesting activity of the Fund’s portfolio, necessitated by creation or cancellation of Units. Such costs 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 Transaction Costs shall be applied in determining Offer and Redemption prices.

18.52 **“Unit”** means one undivided share in MSF and where the context so indicates that of a Sub scheme.

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.

**19. AUTHORIZED BRANCHES OF THE DISTRIBUTION COMPANIES**

Distributors and their authorised branches are given in Annexure “D” hereto.



**20. FORMS**

The following Forms are annexed hereto (Section-E):

**Form Number Type of Form (Nature of action/ application):**

MSF 01 Investment Application

MSF 02 Redemption Form

MSF 03 Request Form for Change in Unit holder Information

MSF 04 Service Request Form

MSF 05 Service Request Form

**Annexure – A****HMB's Tariff Structure for Trusteeship of Open-end Mutual Funds (Unit Trusts)**

The Trustee's remuneration shall consist of the following tariff:

The Trustee's remuneration shall be no more than 5% of the respective schemes' operating revenue-before application of fees but subject to certain reduction on the incremental amounts of funds under management indicated in clause 1 below and subject to the minimum and maximum indicated in clauses 2 and 3 below.

1. The remuneration shall be 5% of the operating revenue of the respective schemes' – before application of fees on the aggregate fund size of the schemes upto Rs. 2 billion. The incremental amount of fee shall be reduced from the rate of 5% if the aggregate fund size is in excess of Rs. 2 billion. The reduction shall be related to incremental amount of the aggregate fund size such that the fee on the amount of aggregate funds exceeding Rs. 2 billion shall be one-third of 10% of the fund's operating revenue from the incremental amount.
2. The minimum fee charged to the fund will be 0.25% of the funds under management; and for the first two years the minimum fee will be higher of 0.25% of the aggregate funds under management and Rs.2.5 million, calculated on a per annum basis.
3. The maximum fee charged, save the minimum of Rs. 2.5 million stated in clause 2 above, will be one-third of 2.0% of the aggregate funds under management calculated on an annual basis and shall be subject to the maximum percentage allowable under the law.
4. The fee shall be payable monthly, based on daily accrual.
5. In the event, the remuneration worked out in clause 1 above is below the minimum remuneration payable under clause 2 above, the amount required to make up the shortfall shall be prorated amongst the schemes in the ratio of accrued income of the respective schemes.

Provided that the remuneration so calculated shall not exceed one-third of the maximum remuneration allowed to the Management Company under the Rules. The fee shall be charged based on accrued income of the scheme. In case the sum of fee calculated on accrued income remains short of minimum fee chargeable to the scheme, the shortfall if any shall be prorated in the ratio of accrued income of respective schemes.

Any change in the fee structure, provided it is within the maximum limits disclosed herein, shall be notified through an addendum to this annexure.

**Annexure - B****Current Level of Front-end and Back-end Loads and Management Fee  
Effective 1st March 2002****Front-end Load: 0.2%****Back-end Load: Nil****Transfer/Consolidation/Split charges Rs.100 per transaction****Management fee**

The Management Company's remuneration shall be no more than 10% of the respective schemes' operating revenue before application of fees but subject to certain reductions on the incremental amounts of funds under management indicated in clause 1 below and subject to the minimum and maximum indicated in clauses 2 and 3 below.

1. The remuneration shall be 10% of the fund's operating revenue before application of fees on the aggregate fund size of the schemes upto Rs. 2 billion. The incremental amount of fee shall be reduced from the rate of 10% if the aggregate fund size is in excess of Rs. 2 billion. The reduction shall be related to incremental amount of the aggregate fund size such that the fee on the amount of aggregate funds exceeding Rs. 2 billion shall be two-thirds of 10% of the fund's operating revenue from the incremental amount.
2. The minimum fee charged to the fund will be 0.5% of the funds under management; and for the first two years the minimum fee will be higher of 0.5% of the aggregate funds under management and Rs.5 million, calculated on a per annum basis.
3. The maximum fee charged, save the minimum of Rs. 5 million stated in clause 2 above, will be two-thirds of 2.0% of the aggregate funds under management calculated on an annual basis and shall be subject to the maximum percentage allowable under the law.
4. The fee shall be payable monthly, based on daily accrual.
5. In the event, the remuneration worked out in clause 1 above is below the minimum remuneration payable under clause 2 above, the amount required to make up the shortfall shall be prorated amongst the schemes in the ratio of accrued income of the respective schemes.

Provided that the remuneration so calculated shall not exceed the maximum remuneration allowed under the Rules. The fee shall be charged based on accrued income of the scheme. In case the sum of fee calculated on accrual income remains short of minimum fee chargeable to the scheme, the shortfall if any shall be prorated in the ratio of accrued income of respective schemes.

Any change in the load and fee structure, provided it is within the maximum limited disclosed in clauses 7.1, 7.2 and 11.4, shall be notified through an addendum to this annexure and shall be published in the newspaper/s.

However, the Back-end Load shall not be increased for existing Units in issue.

**Annexure - C****Specimen of Letter of Lien****Letter of Acknowledgement**

Sequential Number \_\_\_\_\_

Date \_\_\_\_\_

Dear Sir/s

**Re: Registration of Lien**  
**Against Units of Investment held in**  
**Name of Account** \_\_\_\_\_  
**Investor Code Number** \_\_\_\_\_

We hereby acknowledge having registered a lien in your favour on the following Units (hereinafter referred to as the Pledged Units), held in the investment account of the above named party (hereinafter referred to as the Party):

<b>Name of Fund/Unit Trust</b>	<b>Name of Plan/ (Option)</b>	<b>Number of Units placed under lien</b>	<b>Certificate Numbers (If issued)</b>

You have been allotted Investor Code Number: \_\_\_\_\_. Please quote this number for any correspondence or enquiries in this regard.

The Pledged Units have been issued pursuant to the Deed, the Offering Documents and the relative Administrative plans applicable to the respective Pledged Units and are governed by the applicable documents, the Asset Management Company Rules, 1995 and the laws prevailing in Pakistan.

The registration of this lien places a responsibility on us to ensure that the all benefits accruing on the Pledged Units are held or paid to your order.

Save any legal bar or court order requiring otherwise, any dividends that are declared on the Pledged Units shall be paid to your order, any bonus Units that the Pledged Units are entitled to shall automatically be marked under your lien and in the event the Pledged Units are redeemed for any reason whatsoever, the proceeds shall be paid to your order.

We do not however, accept any responsibility for the validity of the Party's act of placing the Units under lien nor for any obligations or commitments undertaken by the Party in respect thereof.

The lien on the Pledged Units shall continue till such time it is released by you in writing.

Yours faithfully,

<b>For and on behalf of Gangjees Registrar Services - Registrars</b>	<b>For and on behalf of AHIM Limited – Management Company</b>	
Authorised signatory	Authorised signatory	Authorised signatory

**Revised Annexure A****MBL's Tariff Structure for Trusteeship of Open-end Mutual Funds (Unit Trusts):**

The Trustee's remuneration shall consist of the following tariff:

The remuneration shall be 2.5% of the respective Schemes operating revenue – before application of fees on the aggregate fund size of the Schemes.

The fee shall be payable monthly, based on daily accrual.

The fee shall be charged based on accrued income of the Schemes.

Any change in the fee structure, provided it is within the maximum limits disclosed herein, shall be notified through an addendum to this annexure.

## **Revised Annexure B**

**Current Level of Front-end and Back-end Loads and Management Fee Effective 1<sup>st</sup> March 2003.**

**Front-end Load: 0.2%~~0.1%~~**

**Back-end Load: Nil**

**Transfer/Consolidation/Split charges                                  Rs. 100 per transaction**

### **Management Fee**

The remuneration shall be 5% of the respective Schemes operating revenue – before application of fees on the aggregate fund size of the Schemes.

The maximum fees charged, shall be subject to the maximum percentage allowable to under the law.

The fee shall be payable monthly, based on daily accrual.

The fee shall be charged based on accrued income of the Schemes.

Any change in the load and fee structure, provided it is within the maximum limited disclosed in clauses 7.1, 7.2 and 11.4, shall be notified through an addendum to this annexure and shall be published in the newspapers. However, the Back-end Load shall not be increased for existing Units in issue.