

**SECOND SUPPLEMENTAL TRUST DEED OF
PAKISTAN STOCK MARKET FUND**

THIS SECOND SUPPLEMENTAL TRUST DEED OF PAKISTAN STOCK MARKET FUND is made and entered into at Karachi, on this 11th day of May, 2011;

BY AND BETWEEN

- (A) **Arif Habib Investments Limited**, a company incorporated under the Companies Ordinance, 1984, with its registered office at Arif Habib Center 23, M.T Road, Karachi (hereinafter called the "**Management Company**", which expression where the context so permits shall include its successors-in-interest and assigns) of the One Part; and

AND

- (B) **Central Depository Company of Pakistan Limited**, a company incorporated under the Companies Ordinance, 1984 and registered with the Securities & Exchange Commission of Pakistan (**the "SECP"**) as a Central Depository Company, with its registered office at CDC House, 99-B, Block "B", S.M.C.H.S. Main Shahrah-e-Faisal, Karachi, (hereinafter called the "**Trustee**", which expression where the context so permits shall include its successors-in-interest and assigns) of the Other Part.

WHEREAS:

- (1) The Management Company and the Trustee executed a Trust Deed dated October 23, 2001, to constitute Pakistan Stock Market Fund (referred to in the Trust Deed as "Unit Trust" and referred to in this Second Supplemental Trust Deed as "Unit Trust" or the "Fund" or the "Scheme"), which Trust Deed was registered with the Sub-Registrar, T Division I-B, Karachi, under Registered No.366 of Book No. IV Addl. dated 23-10-2001 and M.F. Roll No.U-44459/555/556 dated 02-11-2001, ("the Trust Deed").
- (2) The Management Company and the Trustee amended certain Clauses of the Trust Deed in accordance with Clauses 35.3 and 35.4 of the Trust Deed, vide a First Supplemental Trust Deed of Pakistan Stock Market Fund dated October 20, 2006, registered with the Sub-Registrar, Jamshed Town, Karachi under Registered No.1213 of Book No.IV dated 20-10-2006 and M. F. Roll No.U-88028/3819 dated 13-11-2006.

- (3) The Management Company and the Trustee have agreed to further amend certain Clauses of the Trust Deed in accordance with Clauses 35.3 and 35.4 of the Trust Deed.
- (4) The Securities & Exchange Commission of Pakistan ("the SECP") has approved the further amendments to the Trust Deed, vide its letter No. NBFC-II/DD/AHIM/PSMF/1017/2008 dated December 01, 2008 annexed hereto as Annexure "A", letter no. NBFC-II/DD/AHIM/PSMF/71/2009 dated January 14, 2009 annexed hereto as Annexure "B", letter no. SCD/NBFC-II/DD/PSMF/671/2009 dated June 26, 2009 annexed hereto as Annexure "C" and letter no. SCD/NBFC-II/DD/AHIM-PSMF/682/2010 dated August 30, 2010 annexed hereto as Annexure "D".

NOW THEREFORE THIS SECOND SUPPLEMENTAL TRUST DEED OF PAKISTAN STOCK MARKET FUND, WITNESSETH AS FOLLOWS:-

1. Amendment of sub-clause 1.7 of the Trust Deed:

Sub-clause 1.7 be and is hereby replaced by the following text:

1.7 "Authorized Investment" means Pakistan origin investments transacted, issued, traded or listed and includes any of the following:

1.7.1 Listed Equity Securities.

1.7.2 Bank deposits (excluding TDRs) and other instruments allowed by SECP from time to time.

1.7.3 Treasury bills.

2. Amendment of sub-clause 1.8 of the Trust Deed:

Sub-clause 1.8 be and is hereby replaced by the following text:

1.8 "Back-end Load" means a Processing Charge, deducted by the Management Company from the Net Asset Value in determining the Redemption Price. Back end Load would form part of the Fund Property.

3. Amendment of sub-clause 1.11 of the Trust Deed:

Sub-clause 1.11 be and is hereby replaced by the following text:

1.11 "Business Day"/Dealing Day" means a day (such business hours thereof) when Stock Exchanges are open for trading in Pakistan.

4. Addition of New sub-clauses 1.19 in Clause 1 of the Trust Deed:

- (i) After the existing sub-clause 1.18, a new sub-clause be and is hereby incorporated as 1.19:-

1.19 "Cut Off timing" means time span in a Business Day which is allowed for valid receipt of form(s).

- (ii) The existing sub-clauses 1.19 to 1.44 be and are hereby renumbered as sub-clauses 1.20 to 1.45 respectively.

5. Addition of New sub-clause 1.26 in Clause 1 of the Trust Deed:

- (i) After the existing sub-clause 1.24 (now renumbered as 1.25), a new sub-clause be and is hereby incorporated as 1.26:-

1.26 "Force Majeure" means any occurrence or circumstance or element which delays or prevents performance of any of the terms and conditions of this Deed or any obligations of the Management Company or the Trustee and shall include but not be limited to any circumstance or element that cannot be reasonably controlled, predicted, avoided or overcome by any Party and which occurs after the execution of this Agreement and makes the performance of the Agreement in whole or in part impossible or impracticable or delays the performance, including but not limited to any situation where performance is impossible without unreasonable expenditure. Such circumstances include but are not limited to floods, fires, droughts, typhoons, earthquakes and other natural events and other unavoidable or unpredictable elements beyond reasonable control, such as war (declared or undeclared), insurrection, civil war, acts of terrorism, accidents, strikes, riots, turmoil, civil commotion, any act or omission of a governmental authority, failure of communication system, hacking of computer system and transmissions by unscrupulous persons, closure of stock exchanges, banks or financial institutions, freezing of economic activities and other macro-economic factors, etc

- (ii) The existing sub-clauses 1.25 to 1.44 be and are hereby renumbered as sub-clauses 1.27 to 1.46 respectively.

6. Amendment of sub-clause 1.28 of the Trust Deed:

The existing Sub-clause 1.26 (now renumbered as 1.28) be and is hereby replaced by the following text:

1.28 “Front-end Load “ means the sales and processing charges payable to the Management Company, which are included in the Offer Price of Units.

7. Amendment of sub-clause 1.30of the Trust Deed:

The existing Sub-clause 1.28 (now renumbered as 1.30) be and is hereby replaced by the following text:

1.30 “Fund Property” means the aggregate proceeds of the sale of all Units at Offer Price and any Transaction Costs recovered in the Offer or Redemption prices after deducting therefrom or providing thereagainst the value of Redemption, Front-end Load, Duties and Charges (if included in the Offer Price or Redemption Price) applicable to the issue or redemption of Units and any expenses chargeable to the Fund; and includes the Investment and all income, profit and other benefits arising therefrom Back-end Load 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 Trust Deed but does not include any amount standing to the credit of the Distribution Account.

8. Amendment of sub-clause 1.33 of the Trust Deed:

The existing Sub-clause 1.31 (now renumbered as 1.33) be and is hereby replaced by the following text:

1.33 “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 Facilitator.

9. Addition of sub-clause 1.47 of the Trust Deed:

After the existing sub-clause 1.44, now re-numbered as 1.46, a new sub-clause 1.47 be and is hereby incorporated as follows:

1.47 "Regulations" mean Non-Banking Finance Companies and Notified Entities Regulation, 2008, as amended or substituted from time to time.

10. Amendment of existing sub-clause 1.45, now re-numbered as sub-clause 1.48, of the Trust Deed:

- (i) The existing sub-clause 1.45, now renumbered as 1.48 be and is hereby replaced by the following text:

1.48 "**Rules**" mean Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003, as amended and substituted from time to time.

- (ii) The existing sub-clause 1.46 (now renumbered as 1.49) stands deleted.
- (iii) The existing sub-clauses 1.47 to 1.53 be and are hereby renumbered as sub-clauses 1.49 to 1.55 respectively.

11. Addition of New definition of Unit Trust as sub-clause 1.56 of the Trust Deed:

After the existing sub-clause 1.53, now renumbered as 1.55, a new sub-clause 1.56 be and is hereby incorporated as follows:

1.56 "Unit Trust" or "the Fund" or the Scheme" Pakistan Stock Market Fund

12. Addition of New Clause 2A in the Trust Deed:

After the existing Clause 2, the following new Clause be and is hereby incorporated as Clause 2A :-

2A **CATEGORY OF THE SCHEME**
Equity Fund

13. Addition of new Sub-clause "g" in sub-clause 3.4 of the Trust Deed:

After the existing sub-clause f, the following new sub-clause be and is hereby incorporated as sub-clause "g" :-

- (g) *The Trustee shall open and operate Bank Accounts for the Fund titled " CDC- Trustee Pakistan Stock Market Fund" at suitable commercial Banks*

with atleast investment grade rating *at the request of the Management Company.*

14. Amendment of sub-clause 5.4 of the Trust Deed:

Sub-clause 5.4 be and is hereby replaced by the following text:

The Fund Property shall be subject to such exposure limits as provided in the Regulations and applicable SECP directives

- *At least 70% of its net assets shall remain invested in listed equity securities during the year based on quarterly average investment calculated on daily basis;*
- *The remaining net assets shall be invested in cash or near cash instruments which include cash in bank accounts (excluding TDRs), and treasury bills not exceeding 90 days maturity; and*
- *It shall not take exposure to continuous funding scheme (CFS)*

15. Amendment of Clause 5.7 of the Trust Deed:

Clauses 5.7 is hereby replaced by the following text:-

5.7 *"The Fund Property shall not be invested in any security of a company if any director or officer of the Management Company owns more than five per cent of the total amount of securities issued, or the directors and officers of the Management Company own more than ten per cent of those securities collectively".*

16. Addition of new sub-clauses 5.9.(d) and 5.9.(e) in Clause 5.9 of the Trust Deed:

After the existing sub-clause 5.9 (c), the following new sub-clauses be and are hereby incorporated as (d) and (e) respectively:-

- (d) *Rollover the investments, if in the opinion of Trustee, the Fund would not be able to issue payment instruments for the redemption money to the Unitholders within time period stipulated in the Regulations.*
- (e) *Net off any investment(s) of the Fund against the investment(s) of the Unitholder(s) in the Fund.*

17. Addition of New Clauses 5A and 5B in the Trust Deed:

After the existing Clause 5, the following new Clauses be and are hereby incorporated as Clauses 5A and 5B respectively:-

5A **BENCHMARK**
"KSE- 100"

5B **INVESTMENT OBJECTIVE**
The objective of the fund is to provide investors long term capital appreciation from its investment in Pakistani equities

18. Amendment of sub-clause 6.6 of the Trust Deed;

Sub-clause 6.6 be and is hereby replaced by the following text:

6.6 *"The Trustee shall open and operate additional Bank Accounts at such branches of Banks and at such locations (including outside Pakistan), after obtaining all necessary approvals, if any, from the relevant regulatory authority(ies) in Pakistan, as may be required by the Management Company, from time to time. . For this purpose, the Trustee shall be deemed to be authorized to sign and submit the prescribed account opening forms of such Banks, including custodial/sub-custodial services accounts and brokerage accounts with such Banks, custodians, sub-custodians, and brokers, as may be required to be appointed for offshore Investments of the Fund. The opening, operation and maintenance of such Bank Accounts, custodial/sub-custodial and brokerage services accounts in offshore countries shall always be subject to the approval of the SBP and the exchange control regulations, as well as any directives of the SBP and/or the Commission. The Management Company may require the Trustee to open and operate separate Bank Accounts for each dividend distribution out of the Fund."*

19. Amendment of sub-clause 6.7of the Trust Deed:

Sub-clause 6.7 be and is hereby replaced by the following text:

6.7 *The Trustee shall pay to the Management Company's instruction such sums out of the sale proceeds of Units of any Unit Trust as are representative of Front-End Load that are specified in the Trust Deeds,*

Offering Documents or Supplemental Offering Documents as being payable out of the Issue Prices.

20. Amendment of sub-clause 8.1 of the Trust Deed;

Sub-clause 8.1 be and is hereby replaced by the following text:

8.1 *"The Management Company shall, at such frequencies as are prescribed in the relevant Offering Documents, determine and announce the Net Asset Value based prices. Under certain circumstances as provided in this Trust Deed, the Management Company may suspend the announcement of the prices".*

21. Amendment of Clause 10 of the Trust Deed;

Sub-clauses 10.1 and 10.2 be and are hereby replaced by the following texts:—

10.1 *Subject to any statutory requirements for the time being in force and to the terms and conditions herein contained, the Trustee may at any time at the request of the Management Company concur with the Management Company in making and varying arrangements with Banks, financial institutions and collective investment schemes for borrowing by the Trustee for the account of the Fund: Provided that the charges payable to such Banks, financial institutions and collective investment schemes are not higher than the prevailing market rates. Provided further that the maximum borrowing for the account of the Trust shall not exceed the limit provided in the Regulations, but if subsequent to such borrowing, the Net Assets are reduced as a result of depreciation in the market value of the Fund Property or redemption of Units, the Management Company shall not be under any obligation to reduce such borrowing.*

10.2 *Neither the Trustee, nor the Management Company shall be required to issue any guarantee or provide security over their own assets for securing such borrowings from Banks, financial institutions and collective investment schemes. The Trustee or the Management Company shall not in any manner be liable in their personal capacities for repayment of such loans or advances.*

22. Addition of new sub-clause 11.14 and 11.15 in Clause 11 of the Trust Deed:

After the existing sub-clause 11.13, the following new sub-clauses be and are hereby incorporated as sub-clause 11.14 and 11.15 respectively.

11.14 The Trustee shall not invest in the Units of the Fund.

11.15 The Trustee shall not be liable for any loss caused to the Scheme or to the Fund Property due to any elements or circumstances of Force Majeure.

23. Addition of new sub-clauses 13.6,13.7 and 13.8 in Clause 13 of the Trust Deed:

After the existing sub-clause 13.5, the following new sub-clauses be and are hereby incorporated as sub clauses 13.6, 13.7 and 13.8 respectively.

13.6 The Management Company shall formally forward all the requests for dealing in Units, duly time and date stamped, to the Trustee within 24 hours of the receipt of such requests.

13.7 The Management Company shall ensure that no entry and exit to the Scheme (including redemption and re-issuance of Units to the same Unitholders on different NAVs) shall be allowed other than cash settled transactions based on the formal issuance and redemption requests, unless permitted otherwise by the SECP under the Regulations.

13.8 The Management Company shall not be liable for any loss caused to the Scheme or to the Fund Property due to any elements or circumstances of Force Majeure.

24. Addition of new sub-clause 17.8 in Clause 17 of the Trust Deed:

After the existing sub-clause 17.7, the following new sub-clause be and is hereby incorporated as sub clauses 17.8 respectively.

17.8 Front End Load and Back End Load combined together shall not exceed five percent of NAV.

25. Amendment of Clause 19.1 of the Trust Deed:

Clause 19.1be and is hereby replaced by the following text:

19.1 After the First Offer the Offer Price shall be calculated and announced by the Management Company on the following basis: The Offer Price shall be equal to the sum of:

- (a) The Net Asset Value as of the close of the Business Day;*
- (b) Any Front-end Load;*
- (c) Such amount as the Management Company may consider an appropriate provision for Duties and Charges.*
- (d) Such amount as the Management Company may consider an appropriate provision for Transaction Costs;*
- (e) Such sum shall be adjusted to the nearest Paisa.*
- (f) The Cut Off timing for receiving application forms is as follows.*

<i>Day</i>	<i>Time</i>
<i>Monday to Friday</i>	<i>09:00 am to 05:00 pm</i>

- (g) All forms shall be received at the registered address of the Management Company or at the authorized branches of the Management Company or the Authorized Branches of the Distributor during the above mentioned time. Updated list of the addresses of the Management Company and authorized branches of the Management Company and Authorized Branches of the Distributors is disclosed in the Offering Document.*
- (h) The Offer Price so determined shall apply to purchase requests, complete in all respects, received by the Distributor during the Cut Off timing (as announced by the Management Company from time to time) on that Business Day. In the event the Karachi Stock Exchange is closed on that day, the next Offer Price so determined shall apply.*
- (i) The Management Company may announce different plans under different administrative arrangements with differing levels of Front-*

end Load, the terms and conditions of which would be governed by relevant Supplementary Offering Documents.

26. Addition of new sub-clause 21.10 in Clause 21 of the Trust Deed:

After the existing sub-clause 21.9, the following new sub-clause be and is hereby incorporated as sub-clause 21.10:-

21.10 The Management Company shall ensure that all valid redemption requests are paid based on ranking of the request in a queue.

27. Amendment of sub-clause 22.2 of the Trust Deed:

Sub-clause 22.2 be and is hereby replaced by the following text:

22.2 After the First Offer, the Redemption Price shall be equal to the Net Asset Value as of the close of the Business Day, less:

- (a) Any Back-end Load;*
- (b) Any taxes imposed by the Government;*
- (c) Such amount as the Management Company may consider an appropriate provision for Duties and Charges; and*
- (d) Such amount as the Management Company may consider an appropriate provision for Transaction Costs;*
- (e) Such sum shall be adjusted to the nearest Paisa.*
- (f) The Cut Off timing for receiving application forms is as follows.*

<i>Day</i>	<i>Time</i>
<i>Monday to Friday</i>	<i>09:00 am to 05:00 pm</i>

- (g) All forms shall be received at the registered address of the Management Company or at the Authorized Branch of the Management Company or the Distributor during the above mentioned time. Updated list of the addresses of the Management Company and Authorized Branches of the Management Company and Distributors is disclosed in the Offering Document.*

- (h) *The Redemption Price so determined shall apply to redemption requests, complete in all respects, received by the Distributor during the Cut Off timing on that day.*
- (i) *The Management Company may announce different plans under different administrative arrangements with differing levels of Back-end Load, the terms and conditions of which would be governed by relevant Supplementary Offering Documents.*

28. Addition of new sub-clause as 23.2.1 in Clause 23.2 of the Trust Deed:

A new sub-clause be and is hereby incorporated as 23.2.1:-

23.2.1 Management Company shall ensure that in case of suspension of redemption of Units of the Scheme due to extra ordinary circumstances in terms of provisions of the Constitutive Documents and the Regulations, the issuance of fresh Units shall also be kept suspended until and unless redemption of Units is resumed.

29. Amendment of sub-clause 25.9 of the Trust Deed:

Sub-clause 25.9 be and is hereby replaced by the following text:-

25.9 The Register of Unitholders shall be closed for the purpose of declaration of dividend for a period not exceeding six (6) Business Days. In no case, the time period for closure of Register for dividend declaration shall exceed six (6) Business Days at a time and whole forty five days in a year.

30. Deletion of sub-clause 30.5 of the Trust Deed

- (i) Sub-clause 30.5 stands deleted
- (ii) The existing sub-clauses 30.6 to 30.9 be and are hereby renumbered as 30.5 to 30.8, respectively.

31. Amendment of sub-clause 31.2 of the Trust Deed

Sub-clause 31.2 be and is hereby replaced by the following text:

31.2 The amount available for distribution in respect of any Accounting Period shall be determined by the Management Company and shall be the sum total of:

- (a) *The total income earned on Fund Property during such Accounting Period including all amounts earned in respect of dividend, mark-up, profit, interest and fee;*
- (b) *Net realized appreciation as set out in sub-clause 31.3; from which shall be deducted expenses as set out in sub-clause 31.4, adjustments as set out in sub-clause 31.5 and such other adjustment as the Management Company may determine.*
The Trustee may rely on the amount certified by the Auditors or in absence of the such certification may require the Management Company to provide detailed working for such distribution

32. Amendment of sub-clause 31.3 of the Trust Deed:

Sub-clause 31.3 be and is hereby replaced by the following text:

31.3 The proceeds of sales of rights and all other receipts deemed by the Management Company to be in the nature of capital accruing from Investments shall not be regarded as available for distribution but shall be retained as part of the Fund Property, provided that such amounts out of the sale proceeds of the Investments and out of the sale proceeds of the rights, bonus shares and all other receipts as deemed by the Management Company to be in the nature of the net realized appreciation may be distributable to the Unitholders by the Trustee and shall thereafter cease to form part of the Fund Property once transferred to the Distribution Account.

33. Addition of Note in sub-clause 31.4. in the Trust Deed:

In sub-clause 31.4, the following Note be and is hereby incorporated:

Note:- Any cost associated with sales, marketing and advertisement of the Scheme shall not be charged to the Scheme.

34. References to Rules in the Trust Deed:

In the Trust Deed, reference to Rules shall also imply reference to applicable Regulations.

All other contents of the Trust Deed remain unchanged and the Trust Deed shall continue to remain in full force and effect, amended as above.

The Trustee and the Management Company hereby certify that the above amendments are required in the Trust Deed for making investment securities of permissible Connected

Person(s) adding additional duties and responsibilities on the Management Company and the Trustee as required by the SECP, Cut Off timing for issue and redemption of Units, and to dispense with the need to consult with the Auditors for the purpose of determination of amount available for distribution and deduction of expenses and other adjustments for determining the amount available for distribution, which is not required, clarification that marketing, selling and advertisement expenses shall not be charged to the Fund and other changes necessitated by the NBFC Regulations and that in the opinion of the Management Company and the Trustee, the above amendments shall not prejudice the interests of the Unitholders or any of them or operate to release the Trustee or the Management Company from any responsibility to the Unitholders.

IN WITNESS WHEREOF, THIS SECOND SUPPLEMENTAL TRUST DEED OF PAKISTAN STOCK MARKET FUND has been executed on the date first mentioned above.

The Common Seal of Arif Habib Investments Limited was hereunto fixed in the presence of:

Seal:

Syed Ajaz Ahmed
Director

Zeeshan
CFO & Company Secretary

The Common Seal of Central Depository Company of Pakistan Limited was hereunto fixed in the presence of:

Seal:

Abdul Samad
Head of Trustee and Custodial Operation-II

Atiqur Rehman
Head of Trustee and Custodial Operation-I

WITNESSES

1. _____

2. _____