

**THIRD SUPPLEMENTAL TRUST DEED OF
PAKISTAN INCOME FUND**

THIS THIRD SUPPLEMENTAL TRUST DEED OF PAKISTAN INCOME 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 Centre, 23 M.T Khan 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 Income Fund (defined in the said Trust Deed as the "Unit Trust" and referred to in this Third 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.365 of Book No.IV Addl. dated 23-10-2001 and M.F. Roll No.U-44458/ 555/556 dated 02-11-2001 of the Photo Registrar Karachi, ("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 Income Fund dated October 20, 2006 registered with the Sub-Registrar, Jamshed Town, Karachi under Registered No.1214 of Book No.IV dated 20-10-2006 and M. F. Roll No.U-88029/3819 dated 13-11-2006.

- (3) The Management Company and the Trustee further amended certain Clauses of the Trust Deed in accordance with Clauses 35.3 and 35.4 of the Trust Deed, vide a Second Supplemental Trust Deed of Pakistan Income Fund dated December 05, 2008 registered with the Sub-Registrar-II, Saddar Town, Karachi under Registered No.634 of Book No.IV dated 05-12-2008 and M. F. Roll No.U-94728/5563 dated 23-12-2008.
- (4) 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 vide this Third Supplemental Trust Deed.
- (5) The Securities & Exchange Commission of Pakistan ("the SECP") has approved the further amendments to the Trust Deed, vide its letter No. SCD/NBFC-II/DD/PIF/672/2009 dated June 26, 2009 annexed hereto as Annexure "A" and letter No. SCD/NBFC-II/DD/AHIM-PIF/683/2010 dated August 30, 2010 annexed hereto as Annexure "B".

NOW THEREFORE THIS THIRD SUPPLEMENTAL TRUST DEED OF PAKISTAN INCOME 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 and includes any of the following:

- *Government Securities*
- *Cash in Bank Accounts*
- *Money Markets Placements*
- *Deposits*
- *Certificates of Deposits (CODs)*
- *Certificates of Musharikas (COM)*
- *TDRs*
- *Commercial Paper*
- *Reverse Repo*
- *TFC/ Sukuk*
- *CFS*
- *Spread Transactions*

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 Banks are open for business in Pakistan except Saturdays".

4. Addition of New sub-clause 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 1.30 of 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 Facilitators.*

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 Income Fund*

12. Addition of New Sub-clause 2A of 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*

Income 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 Income 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 are provided in the Regulations and applicable SECP directives.

- i. Exposure to CFS and Spread shall not exceed 40% of the net assets;*
- ii. At least 25% of the net assets shall be invested in cash and near cash instruments which include cash in bank account (excluding TDRs), treasury bills not exceeding 90 days maturity;*
- iii. Not more than 15% of the net assets shall be invested in non traded securities including reverse repos, bank deposits, certificates of investment (COI), certificate of musharikas (COM) and any thing over 6 months maturity which is not a marketable security;*
- iv. Rating of any security in the portfolio shall not be lower than investment grade;*
- v. Rating of any NBFC and Modaraba with which funds are placed shall not be lower than investment grade;*
- vi. Rating of any bank and DFI with which funds are placed shall not be lower than investment grade;*
- vii. Weighted average time to maturity of the net assets shall not exceed 4 years and this condition shall not apply to securities issued by Federal Government; and*
- viii. No restriction regarding*
 - Time to maturity of any single asset in the portfolio;*
 - Duration of a single security in the portfolio".*

15. Amendment of Clause 5.7 of the Trust Deed:

Clause 5.7 be and 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 percent of the total amount of securities issued or the directors and officers of the Management Company own more than ten percent of those securities collectively.*

16. Addition of new sub-clauses 5.9.4 and 5.9.5 in Clause 5.9 of the Trust Deed:

After the existing sub-clause 5.9.3, the following new sub-clauses be and are hereby incorporated as 5.9.4 and 5.9.5 respectively:-

5.9.4 *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.*

5.9.5 *Net off any investment(s) of the Fund against the investment(s) of the Unit holder(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 5A and 5B be and are hereby incorporated:

5A **BENCHMARK**
75% KIBOR (6 Month) + 25% PKRV (3 Months)

5B **INVESTMENT OBJECTIVE**
“The objective of the fund is to deliver returns primarily from debt and fixed income investments without taking excessive risk”.

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 6.7 of 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 in Clause 10.1 of the Trust Deed:

In Clause 10.1, "*Non-Banking Finance Companies and Notified Entities Regulations 2007*", be and is hereby replaced by Regulations.

22. Addition of new sub-clauses 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-clauses 11.14 and 11.15

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 19.1 be 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 the 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 respect, 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 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.*
- (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.*

- (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 to 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 THIRD SUPPLEMENTAL TRUST DEED OF PAKISTAN INCOME 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. _____