

**THIRD SUPPLEMENTAL TRUST DEED OF
PAKISTAN CAPITAL MARKET FUND (Balanced Scheme)**

THIS THIRD SUPPLEMENTAL TRUST DEED OF PAKISTAN CAPITAL MARKET FUND is made and entered into at Karachi, on this 11 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 First 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 ("SECP") as a central depository company, with its registered office at CDC House, 99-B, block "B", S.M.C.H.S., Main Shakra-e-Faisal, Karachi, (hereinafter called the "**Trustee**", which expression, where the context so permits, shall include its successors-in-interest and assigns) of the Second Part.

WHEREAS:

- (1) The Management Company (then known as *Investment Advisor*) and the Trustee executed a Trust Deed dated October 27, 2003, to constitute Pakistan Capital Market Fund (then a closed-end scheme and defined in the said Trust Deed as the "Scheme" or "PCMF" or the "Fund" or the "Trust"), which Trust Deed was registered with the Sub-Registrar "T" Division I-B, Karachi, under Registered No.475 of Book No. IV dated 27-10-2003, M. F. Roll No.74012/1541 dated 6-11-2003 of the Photo Registrar Karachi ("the Trust Deed").
- (2) Vide First Supplemental Trust Deed of Pakistan Capital Market Fund dated October 5, 2005 executed between the Management Company and the Trustee, registered with the Sub-Registrar "T" Division I-B, under Registered No.471 of Book No. IV dated 5-10-2005 and M. F. Roll No.U-101510/2968 dated 15-11-2005 of the Photo Registrar Karachi (hereinafter called "the First Supplemental"), the Management Company and the Trustee with the approval of the Certificate Holders converted the Fund from a Closed-end Scheme to an

Open-end Scheme and the Trust Deed was amended and replaced by a Modified and Restated Trust Deed annexed to the First Supplemental as Annexure "D" thereof (hereinafter called "the Modified and Restated Trust Deed").

- (3) The Management Company and the Trustee further amended certain Clauses of the Trust Deed in accordance with Clause 17 of the Trust Deed, vide a Second Supplemental Trust Deed of Pakistan Capital Market Fund dated December 05, 2008 which was registered with the Sub- Registrar-II, Saddar Town, Karachi, under Registered No. 633 of Book No. IV dated 05-12-2008 and M.F. Roll No. U-902/5583 dated 06-01-2009
- (4) The Management Company and the Trustee have agreed to further amend certain Clauses of the Modified and Restated Trust Deed in accordance with Clause 17 thereof.
- (5) The Securities & Exchange Commission of Pakistan ("the Commission") has approved the further amendments to the Trust Deed, vide its letter No. SCD/NBFC-II/DD/PCMF/674/2009 dated June 26, 2009, annexed hereto as Annexure "A" vide its letter No. SCD/NBFC-II/DD/AHIL-PCMF/699/2010 dated September 9, 2010, annexed hereto as Annexure "B".

NOW THEREFORE THIS THIRD SUPPLEMENTAL TRUST DEED OF PAKISTAN CAPITAL MARKET FUND, WITNESSETH AS FOLLOWS:—

1. **Renumbering of the existing Clause A, titled "DECLARATION OF TRUST" of the Modified and Restated Trust Deed:**

Clause A be and is hereby renumbered as Clause 2. The heading of the existing Clause A now reads as follows:

2. **DECLARATION OF TRUST**

2. **Addition of New Clause in the Modified and Restated Trust Deed:**

After the existing Clause 2.5, a new Clause numbered as 2A be and is hereby incorporated as follows:

2A. **CATEGORY OF THE SCHEME**

Balanced Fund.

3. Renumbering of the existing Clause B, titled "TRUST DEED" of the Modified and Restated Trust Deed:

Clause B be and is hereby renumbered as Clause 2B. The heading of the existing Clause B now reads as follows:

2B. TRUST DEED

Renumbering of the existing Clauses 2.6 and 2.7 of the Modified and Restated Trust Deed:

Clauses 2.6 to 2.7 be and are hereby renumbered as Clauses 2B.1 and 2B.2 respectively.

4. Addition of new sub-clauses 5.1.13 , 5.1.14 and 5.1.15 in Clause 5.1 in the Modified and Restated Trust Deed:

After the existing sub-clause 5.1.12 the following new sub-clauses be and are hereby incorporated as sub clauses 5.1.13, 5.1.14 and 5.1.15 respectively.

5.1.13 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.

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

5.1.15 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

5. Addition of new Clause 5.3 in the Modified and Restated Trust Deed:

After the existing Clause 5.2, the following new Clause be and is hereby incorporated as Clause 5.3:

5.3 INVESTMENT OBJECTIVE

“The objective of the Fund is to provide investors a mix of income and capital growth over medium to long term from equity and debt investments.”

6. Amendment of sub-clause 6.1.6 of the Modified and Restated Trust Deed:

Sub-clause 6.1.6 be and is hereby replaced by the following text:

6.1.6 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 owns more than ten percent of those securities collectively.

7. Addition of two new sub- clauses 6.1.8 and 6.1.9 in the Modified and Restated Trust Deed:

After the existing sub-clause 6.1.7, new sub-clauses be and are hereby incorporated as sub-clauses 6.1.8 and 6.1.9:

6.1.8 The Fund Property may be invested in the following investment avenues.

- (a) Listed equity securities;*
- (b) Government securities;*
- (c) Cash in bank accounts;*
- (d) Money market placements;*
- (e) Deposits,*
- (f) Certificate of deposits (COD),*
- (g) Certificate of musharakas (COM);*
- (h) TDRs,*
- (i) Commercial papers*
- (j) Reverse repo,*
- (k) TFCs/Sukuks;*
- (l) CFS,*
- (m) Spread transactions; and*
- (n) Preference shares.*

6.1.9 The Fund Property shall be subject to such exposure limits mentioned below.

- a) *Net assets ranging between 30% to 70% shall remain invested in listed equity securities at all times. The Scheme may sell in the cash settled futures market against a position held in the underlying security, however, the minimum 30% non-hedged exposure in listed equity securities shall be maintained at all times;*
- b) *Rating of any debt security in the portfolio shall not be lower than A- (A Minus);*
- c) *Rating of any NBFC and Modaraba with which funds are placed shall not be lower than AA (Double A);*
- d) *Rating of any bank and DFI with which funds are placed shall not be lower than AA(-) (Double A Minus);*
- e) *Weighted average time to maturity of non-equity assets shall not exceed 2 years; and*
- f) *Exposure to CFS and spreads shall not exceed 25% of the net assets.*

8. Addition of new sub-clauses 6.2.14 and 6.2.15 in Clause 6.2 in the Modified and Restated Trust Deed:

After the existing sub-clause 6.2.13, the following new sub-clauses be and are hereby incorporated as 6.2.14 and 6.2.15 respectively:-

6.2.14 The Management Company on behalf of the Fund shall not at any time 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 Unit Holder(s) within time period stipulated in the Regulations.

6.2.15 The Management Company on behalf of the Fund shall not at any time net off any investment of the Fund against the investment of the Unit Holder(s) in the Fund.

9. Addition of new Clause 6.5 in the Modified and Restated Trust Deed:

After the existing Clause 6.4, a new Clause be and is hereby incorporated as Clause 6.5:

6.5 BENCHMARK

50% KSE-100, 50% 1 year T-Bill

10. Amendment of Clause 8.2.1 of the Modified and Restated Trust Deed:

Clause 8.2.1 be and is hereby replaced by the following text:

8.2.1 After the conversion, the Offer Price shall be calculated and announced by the Management Company on the following basis:

The Offer Price shall be equal to the sum of:

- (a) *The 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 Cost.*
- (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 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 cutoff 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 determine shall apply.*

(i) *The Management Company may announce different types of Units with differing levels of Front-end Load, the terms and conditions of which would be governed by relevant Supplementary Offering Documents.*

11. Addition of new sub-clause 8.4.10 in Clause 8.4 in the Modified and Restated Trust Deed:

After the existing sub-clause 8.4.9 the following new sub-clause be and is hereby incorporated as sub-clause 8.4.10:-

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

12. Amendment of sub-clause 8.5.1 of the Modified and Restated Trust Deed:

Sub-clause 8.5.1 be and is hereby replaced by the following text:

8.5.1 *After the Conversion of the Fund 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; and.*
- (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 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 cutoff 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 Redemption Price so determine shall apply.*
- (i) *The Management Company may announce different types of Units with differing levels of Back-end Load, the terms and conditions of which would be governed by relevant Supplementary Offering Documents.*

13. Renumbering of the main Para under Clause 9.5, titled "SUSPENSION OF REDEMPTION OF UNITS" as Clause 9.5.1 and addition of new sub-clause 9.5.2 in Clause 9.5 of the Modified and Restated Trust Deed:

The existing main Para under Clause 9.5 be and is hereby numbered as sub-clause 9.5.1 and the following new sub-clause 9.5.2 be and is hereby incorporated

9.5.2 The 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.

14. Amendment of Clause 10.3 of the Modified and Restated Trust Deed:

Clause 10.3 under titled "Formation Costs" be and is hereby replaced by the following text:-

10.3 Formation Costs

All expenses incurred in connection with the incorporation, establishment and registration of the Scheme (Formation Costs) in terms of Regulation 60 (2) of the Regulations, shall be reimbursable by the Scheme to the Management Company subject to the audit of expenses. The said Formation Costs shall be amortized by the Scheme over a period of not less than five years or with the maturity date of the Scheme, whichever is earlier and shall be reported with their break-up under separate heads by the Management Company to the Commission and the Trustee, as provided in Regulation 60(4) of the Regulations. The maximum formation cost shall be governed by Regulations.

15. Addition of Note in Clause 10.5. of the Modified and Restated Trust Deed:

In Clause 10.5, 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.

16. Addition of new sub-clauses 13.1.18 and 13.1.19 in Clause 13.1 of the Modified and Restated Trust Deed:

After the existing sub-clause 13.1.17 the following new sub-clauses be and are hereby incorporated as sub-clauses 13.1.18 and 13.1.19

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

13.1.19 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.

17. Amendment of Clause 14.2 of the Modified and Restated Trust Deed

Clause 14.2 be and is hereby replaced by the following text:

14.2 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:

14.2.1 The total income earned on Fund Property during such Accounting Period including all amounts receivable in respect of dividend, mark-up, profit, interest and fee;

*14.2.2 Net realized appreciation to the extent Management Company decides from which shall be deducted expenses 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*

18. Amendment of Clause 14.3 and 14.6 of the Modified and Restated Trust Deed:

Clause 14.3 and 14.6 be and are hereby replaced by the following text:-

14.3 "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 to the extent Management Company decides may be distributable to the Unit Holders by the Trustee and shall thereafter cease to form part of the Fund Property once transferred to the Distribution Account.”

14.6 *“After the fixation of the rate of distribution per Unit, distribution payments shall be made by transfer to the Unit Holder’s designated bank accounts or in the case of joint Unit Holders to designated bank account of the joint Unit Holder, first named on the Register. The receipt of funds by such designated bankers shall be a good discharge therefore.*

19. Amendment of Sub-clause 16.8.6 of the Modified and Restated Trust Deed:

Sub-clause 16.8.6 be and is hereby replaced by the following text:-

16.8.6 The Trustee shall pay to the Management Company’s instruction such sums of the sale proceeds of Units of any Unit Trust as are representative of Front-end that are specified in the Trust Deeds, Offering Documents or Supplementary Offering Documents.

20. Addition of new sub-clauses 20.1.3 in Clause 20.1 of the Modified and Restated Trust Deed:

After the existing sub-20.1.2 the following new sub-clause be and is hereby incorporated as sub-clause 20.1.3:-

20.1.3 The Management Company would charge up to a total of 5% of the Front-end Load and Back-end Load in combination.

21. Amendment of sub-clause 20.4.12 of the Modified and Restated Trust Deed:

Sub-clause 20.4.12 be and is hereby replaced by the following text:-

20.4.12 The Register of Unit Holders 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.

22. Amendment of Clause 25.4 of the Modified and Restated Trust Deed:

Clause 25.4 be and is hereby replaced by the following text:-

25.4 *“Authorized Investment” includes the following:*

- (a) *Listed equity securities;*
- (b) *Government securities;*
- (c) *Cash in bank accounts;*
- (d) *Money market placements;*
- (e) *Deposits,*
- (f) *Certificate of deposits (COD),*
- (g) *Certificate of musharakas (COM);*
- (h) *TDRs,*
- (i) *Commercial papers*
- (j) *Reverse repo,*
- (k) *TFCs/ Sukuks;*
- (l) *CFS*
- (m) *Spread transactions*
- (n) *Preference shares.*

23. Amendment of Clause 25.5 of the Modified and Restated Trust Deed:

Clause 25.5 be and is hereby replaced by the following text:-

25.5 *“Back-end Load” means a Processing Charge (excluding Duties and Charges) not exceeding three percent 3% of the Redemption Price, 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.*

24. Amendment of Clause 25.8 of the Modified and Restated Trust Deed:

Clause 25.8 be and is hereby replaced by the following text:-

25.8 *“Business Day” means a day (such business hours thereof) when Banks and Stock Exchanges both are open for business in Pakistan except Saturdays.”*

25. Addition of new Clause 25.14 of the Modified and Restated Trust Deed:

(i) A new clause be and is hereby incorporated as 25.14 :

25.14 “*Cut Off timing*” means time span in a Business Day which is allowed for valid receipt of form(s).

(ii) The existing Clauses 25.14 to 25.32 be and are hereby renumbered as Clauses 25.15 to 25.33 respectively.

26. Addition of new Clause 25.18 of the Modified and Restated Trust Deed:

(i) After the existing Clause 25.16 (now renumbered as 25.17), a new Clause be and is hereby incorporated as Clause 25.18 as follows:

25.18 “*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 Clauses 25.17 to 25.32 be and are hereby renumbered as Clauses 25.19 to 25.34 respectively.

27. Amendment of Clause 25.21 of the Modified and Restated Trust Deed:

The existing Clause 25.19 (now renumbered as 25.21) be and is hereby replaced by the following text:-

25.21 “*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 there against, 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 Unit Holders pursuant to the Trust Deed but does not include any amount standing to the credit of the Distribution Account.

28. Amendment of Clause 25.24 of the Modified and Restated Trust Deed:

The existing Clause 25.22 (now renumbered as 25.24) be and is hereby replaced by the following text:-

25.24) "Investment Facilitator" or "Facilitator" means an individual, firm, corporate or other entity appointed by the Management Company to identify, solicit and assist investors in investing in the Fund. The Management Company shall compensate the Facilitators.

29. Addition of Clause 25.35 in the Modified and Restated Trust Deed:

(i) After the existing Clause 25.32 (now renumbered as 25.34), a new Clause be and is hereby incorporated as Clause 25.35 as follows:

25.35 "Regulations" mean the Non-Banking Finance Companies and Notified Entities Regulations, 2008 and any amendments or substitutions thereof from time to time.

(i) The existing sub-clause 25.34 (now renumbered as 25.37) stands deleted.

(ii) The existing sub-clauses 25.33 to 25.40 be and are hereby renumbered as Clauses 25.36 to 25.42 respectively.

30. Reference to Rules in the Modified and Restated Trust Deed:

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

All other contents of the Modified and Restated Trust Deed remain unchanged and the Modified and Restated 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 Modified and Restated Trust Deed 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 changes necessitated by the Regulations and the SECP's circulars and that in the opinion of the Management Company and the Trustee, the above amendments shall not prejudice the interests of the Unit Holders or any of them or operate to release the Trustee or the Management Company from any responsibility to the Unit Holders. IN WITNESS WHEREOF, THIS THIRD SUPPLEMENTAL TRUST DEED OF PAKISTAN CAPITAL 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. _____