

**FIRST SUPPLEMENTAL TRUST DEED OF
PAKISTAN INCOME ENHANCEMENT FUND**

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

BY AND BETWEEN

- (A) **Arif Habib Investments Limited** (formerly Arif Habib Investment Management Limited), a company incorporated under the Companies Ordinance, 1984, with its registered office at Arif Habib Center 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 July 14, 2008, to constitute Pakistan Income Enhancement Fund, which Trust Deed was registered with the Sub-Registrar I-, Jamshed Town, Karachi, under Registered No.498 of Book No. IV dated 14-07-2008 and M.F. Roll No.U-54883/5227 dated 18-07-2008, ("the Trust Deed").
- (2) The Management Company and the Trustee have agreed to amend certain Clauses of the Trust Deed in accordance with Clause 16 of the Trust Deed.
- (3) The Securities & Exchange Commission of Pakistan (“the Commission”) has approved the amendments to the Trust Deed, vide its letter No.NBFC-II/DD/AHIM/PIEF/1016/2008 dated December 01, 2008, annexed hereto as Annexure "A", supplemental letter No.SCD/NBFC-II/DD/PIEF/675/2009 dated June 26, 2009 annexed hereto as Annexure "B" and supplemental letter No.SCD/NBFC-II/DD/AHIM-PIEF/689/2010 dated August 31, 2010 annexed hereto as Annexure “C”

NOW THEREFORE THIS FIRST SUPPLEMENTAL TRUST DEED OF PAKISTAN INCOME ENHANCEMENT FUND, WITNESSETH AS FOLLOWS:—

1. Addition of New Sub-clause 1A of the Trust Deed:

After the existing clause 1, the following new sub-clause be and is hereby incorporated as 1A respectively:-

1A CATEGORY OF THE FUND
Aggressive Fixed Income Scheme

2. Addition of new sub-clauses 5.1.18, 5.1.19, 5.1.20 and 5.1.21 in Clause 5.1 of the Trust Deed:

After the existing sub-clause 5.1.17 the following new sub-clauses be and are hereby incorporated as sub-clauses 5.1.18, 5.1.19, 5.1.20 and 5.1.21 respectively.

5.1.18 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.

5.1.19 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.

5.1.20 The Management Company shall from time to time appoint, remove or replace one or more Distribution Company (ies) for carrying out distribution functions at one or more locations as set out in the Regulations and applicable SECPs directives, and on such terms and conditions to be incorporated in the Distribution Agreement(s) to be entered into between the Distribution Company (ies) and the Management Company.

5.1.21 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.

3. Omission of existing sub-clause 6.1.10 in the Trust Deed

- (i) The existing sub-clause 6.1.10 be and is hereby omitted.
- (ii) The existing sub-clauses 6.1.11 to 6.1.17 be and are hereby renumbered as sub-clauses 6.1.10 to 6.1.16 respectively.

4. Addition of new sub-clauses 6.1.17 and 6.1.18 in Clause 6.1 of the Trust Deed:

After the existing sub-clause 6.1.17, now renumbered as sub-clause 6.1.16 the following new sub-clause be and is hereby incorporated as sub-clause 6.1.17 and 6.1.18 respectively.

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

6.1.18 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.

5. Amendment of Sub-clause 6.6.6 of the Trust Deed:

Sub-clause 6.6.6 be and is hereby replaced by the following text:

6.6.6) The Trustee shall pay to the Management Company's Instruction such sums out of the sale proceeds as are representative of Front-end Load that are specified in this Trust Deed, Offering Document or Supplemental Offering Document(s), if any.

6. Amendment of clause 7.2 of the Trust Deed:

Clause 7.2 be and is hereby replaced by the following text:

7.2 INVESTMENT OBJECTIVE

"The objective of the fund is to deliver return from aggressive investment strategy in debt and fixed income market".

7. Amendment of sub-clause 7.3.1 of the Trust Deed

Sub-Clause 7.3.1 be and is hereby replaced by the following text:

7.3.1 "The Fund may be invested in the following asset classes:

a) Government Securities.

b) Cash in Bank account

- c) *Money Market Placements*
- d) *Deposits*
- e) *Certificate of Deposits (COD)*
- f) *Certificate of Musharakas (COM)*
- g) *Term Deposit Receipts (TDRs)*
- h) *Commercial Paper*
- i) *Reverse Repo*
- j) *TFC/Sukuks*
- l) *CFS*
- m) *Spread Transactions.*

8. Amendment of sub-clause 7.3.4 of the Trust Deed

Sub-Clause 7.3.4 be and is hereby replaced by the following text:

7.3.4 The Fund Property shall be subject to exposure limits mentioned below;

- I. At least 10% of the net assets shall be invested in cash and/or near cash instruments which include cash in bank account (excluding TDRs), Treasury bills not exceeding 90 days maturity;*
- II. Both rated and un-rated securities shall be eligible for investment, below investment grade rated securities shall also be eligible for investment.*
- III. Weighted average time to maturity of the net assets shall not exceed 5 years and this condition shall not apply to securities issued by the Federal government.*
- IV. No restriction regarding time to maturity of any single asset in the portfolio.*

9. Addition of new sub-clauses 7.5.1 (m) and 7.5.1 (n) in Clause 7.5.1 of the Trust Deed:

After the existing sub-clause 7.5.1 (l), the following new sub-clauses be and are hereby incorporated as 7.5.1 (m) and 7.5.1(n) respectively:-

- (m) 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 Holders within time period stipulated in the Regulations.*

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

10. Deletion of “Disclaimer” from Clause 7.5 of the Trust Deed:

“Disclaimer” stands deleted.

11. Amendment of sub-clauses 7.6.1 and 7.6.2 of Clause 7.6 of the Trust Deed:

Sub-clauses 7.6.1 and 7.6.2 be and are hereby replaced by the following texts:

7.6.1 *“Subject to any statutory requirements for the time being in force and to the terms and conditions herein contained the Management Company may arrange finance with the approval of the Trustee, with Banks, Financial Institutions and collective investment schemes for the account of the Fund, provided that such arrangement shall not be resorted to, except for meeting the redemption requests and 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 fifteen per cent of the total Net Asset Value of the Scheme and shall be repayable within a period of ninety days or such time as may be prescribed under the Regulations from time to time 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”.*

7.6.2 *“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”.*

12. Addition of new Clause 7A in clause 7 of the Trust Deed:

After the existing Clause 7, the following new Clause be and is hereby incorporated as Clause 7A

7A BENCHMARK

90% KIBOR(1 YEAR) + 10% PKRV (3 Months).

13. Amendment of sub-clause 8.2.2 of the Trust Deed:

Sub-clause 8.2.2 be and is hereby replaced by the following text:

8.2.2 Subsequent to the issue of Units to Core Investors, the Offer Price shall be calculated and announced by the Management Company on the following basis:

(a) The gross NAV of the Fund will be calculated based on the valuation methodology given in 8.1 above;

(b) The gross NAV will be divided by the number of Units outstanding in the Fund to reach the gross NAV per Unit.

(c) The gross NAV per Unit will be adjusted for the following to arrive at the net offer NAV per Unit:

i. Addition of any Front-end Load, if any, but not exceeding five (5) percent of NAV;

ii. Addition of such amount as the Management Company may consider an appropriate provision for Duties and Charges.

(d) Such sum shall be adjusted to the nearest Paisa..

(e) In any case the cumulative front-end load and Back-end load on particular unit would not exceed 5% of the NAV.

(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.

14. Amendment of sub-clause 8.2.3 of the Trust Deed:

Sub-Clause 8.2.3 be and is hereby replaced by the following text:

8.2.3 "The Investment Application Form can be lodged with any Distributor or

directly lodged with Management Company. No other person (including investment promotion officer) is authorized to accept the form. The Offer Price determined at the end of the Business Day for Units of the Fund shall apply to all Investment Application Forms, complete in all respects including payment, received by the Management Company at its registered address during the cut off timing on that Business Day. Any Investment application Form received after the cut off timing will be transferred to the next Business Day. Provided that if a Business Day is not a Dealing Day the Investment application Form would be transferred to the next dealing day”.

15. Amendment of sub-clause 8.3.1 of the Trust Deed:

Sub-clause 8.3.1 be and is hereby replaced by the following text:

8.3.1 The Redemption Price shall be calculated according to the following method:

- (a) The gross NAV of the Fund will be calculated based on the valuation methodology given in 8.1 above;*
- (b) The gross NAV will be divided by the number of Units outstanding in the Fund to reach the gross NAV per Unit.*
- (c) The gross NAV per Unit will be adjusted for the following to arrive at the net redemption NAV per Unit:
 - i. Deduction of any Back-end Load, if any, but not exceeding five (5) percent of NAV;*
 - ii. Deduction of any taxes imposed by the Government.*
 - iii. Deduction of such amount as the Management Company may consider an appropriate provision for Duties and Charges; and**
- (d) Such sum shall be adjusted to the nearest Paisa.*
- (e) In any case the cumulative Front-end Load and Back-end Load on particular unit would not exceed 5% of the NAV.*
- (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.

16. Amendment of sub-clause 8.3.2 of the Trust Deed:

Sub-clause 8.3.2 be and is hereby replaced by the following text:

8.3.2 “The Redemption Form can be lodged with any Authorized Branch of the Distributor or directly lodged with the Management Company. No other person (including investment promotion officer) is authorized to accept the form. The applicant must obtain a copy of the form signed and stamped by an authorized officer of the Distributor/Management Company acknowledging the receipt of the form and the Certificates, if any. The Redemption Price determined at the end of the Business Day for Units of the Fund shall apply to all Redemption Forms completed in all respects, received by the Management Company at its registered address during the cut off timing on that Business Day. Any Redemption Forms received after cut off timing will be transferred to the next Business Day. Provided that if a Business Day is not a Dealing Day the Redemption form would be transferred to next dealing day”.

17. Addition of new sub-clause as 9.4.1 in Clause 9.4 of the Trust Deed:

A new sub-clause be and is hereby incorporated as 9.4.1:-

9.4.1 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.

18. Amendment of sub-clause 10.3.1 in the Trust Deed:

Sub-clause 10.3.1 be and is hereby replaced by the following text:-

10.3.1 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 a Management Company subject to the audit of expenses. The said Formation Cost shall be amortized by the Scheme over a period of not less than five years or upto 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.

19. Addition of Note in Clause 10.6. in the Trust Deed:

In Clause 10.6, 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.

20. Amendment of sub-clause 12.1.3 of the Trust Deed

Sub-clause 12.1.3 be and is hereby replaced by the following text:

12.1.3 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 received in respect of mark-up, profit, interest and fee;

(b) Whole or part of the realized appreciation, at the option of the Management Company; and

(c) From the above amounts 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

21. Amendment of Clause 19.1 of the Trust Deed

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

19.1. TYPE OF UNITS AND MINIMUM INVESTMENT

19.1.1 PIEF is divided into Units having a Par Value of Rs.50. Two types of Units of the Fund are offered Type A and Type B.

Type A Units

Type A Units are meant for all types of investors and have the following characteristics

Minimum Investment: The Management Company may from time to time amend the minimum amount of initial investment, after giving fourteen (14) days prior notice to the Unit Holders, that is required for opening an account with the Registrar. At the initial stage, the minimum amount of investment to open an account is Rs.5,000/- and the minimum amount for adding to an existing account is Rs.5,000/- per transaction.

Front End Load: upto 5.0% including Transaction costs of up to 0.25%.

Back End Load: None

Distribution Method: These Units will be entitled to get Bonus Units and/or Cash dividend as decided by Management Company.

Type B Units

Type B Units are meant for all types of investors and have the following characteristics.

Minimum Investment: The Management Company may from time to time amend the minimum amount of initial investment, after giving fourteen (14) days prior notice to the Unit Holders that is required for opening an account with the Registrar. At the initial stage, the minimum amount of investment to open an account is Rs.10,000,000/- and the minimum amount for adding to an existing account is Rs.5,000,000/- per transaction.

Front End Load: upto 5.0% including Transaction costs of up to 0.25%.

Back End Load: None

Distribution Method: All normal distribution to Type B Units will be as cash dividend only, even if distribution for other types of Units is in the form of Bonus Units.

Note: In any case the cumulative front-end load and Back-end load on a particular unit would not exceed 5% of the NAV.

Note:- Unit Holder may elect to receive the Bonus Units / Cash Dividend, provided such Unit Holder has to opt for such an arrangement at the time of applying for the Units or request the Registrar in writing prior to declaration of the distribution of any relevant period.

22. Deletion of sub-clause 19.2.4 of the Trust Deed:

- (i) Sub-clause 19.2.4 stands deleted.
- (ii) The existing sub-clauses 19.2.5 to 19.2.12 be and are hereby renumbered as 19.2.4 to 19.2.11, respectively

23. Amendment of sub-clause 19.5.10 of the Trust Deed:

Sub-clause 19.5.10 be and is hereby replaced by the following text:-

19.5.10 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.

24. Addition of new sub-clause 19.10.12 in Clause 19 of the Trust Deed:

After the existing sub-clause 19.10.11 the following new sub-clause be and hereby incorporated as sub-clause 19.10.12:-

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

25. Amendment of sub-clause 21.1.6 of the Trust Deed:

Sub-clause 21.1.6 be and is hereby replaced by the following text:-

21.1.6 “Authorized Investment” means investment which includes the following;

- a) Government Securities.*
- b) Cash in Bank account*
- c) Money Market Placements*
- d) Deposits*
- e) Certificate of Deposits (COD)*
- f) Certificate of Musharakas (COM)*
- g) Term Deposit Receipts (TDRs)*
- h) Commercial Paper*
- i) Reverse Repo*
- j) TFC/Sukuks*
- l) CFS*
- m) Spread Transactions.*

26. Amendment of sub-clause 21.1.7 of the Trust Deed:

Sub-clause 21.1.7 be and is hereby replaced by the following text:-

21.1.7 “Back-end Load” means a processing charge, deducted from the Net Asset Value in determining the Redemption Price and shall form the part of Fund Property;

27. Amendment of sub-clause 21.1.12 of the Trust Deed:

Sub-clause 21.1.12 be and is hereby replaced by the following text:-

21.1.12 “Business Day” means a day (such business hours thereof) when Banks are open for Business in Pakistan except Saturdays”.

28. Addition of sub-clause 21.1.22 of the Trust Deed:

- (i) After Sub-clause 21.1.21, a new Sub-clause 21.1.22 be and is hereby incorporated as 21.1.22:-

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

- (ii) The existing sub-clauses from 21.1.22 to 21.1.28 be and are hereby renumbered as sub-clauses 21.1.23 to 21.1.29 respectively.

29. Addition of sub-clause 21.1.30 of the Trust Deed:

After Sub-clause 21.1.29, a new Sub-clause 21.1.30 be and is hereby incorporated as 21.1.30:

21.1.30 “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.

- (i) The existing sub-clauses from 21.1.30 to 21.1.55 be and are hereby renumbered as sub-clauses 21.1.31 to 21.1.56 respectively.

(ii) The existing sub-clause 21.1.55 stands deleted.

30. Amendment of sub-clause 21.1.33 of the Trust Deed:

The existing Sub-clause 21.1.31 (now renumbered as 21.1.33) be and is hereby replaced by the following text:-

21.1.33“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. 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 adding additional duties and responsibilities on the Management Company and the Trustee as required by the Commission, making additional borrowing arrangements with collective investment schemes, 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 substitution of 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 FIRST SUPPLEMENTAL TRUST DEED OF PAKISTAN INCOME ENHANCEMENT 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. _____

