**The investors are advised in their own interest to carefully read the contents of the Offering Document, in particular the Risk Disclosure in Clause 2.4 and Warnings in Clause 11 before making any investment decision.**

# OFFERING DOCUMENT OF

# NAFA STOCK FUND

**(Equity Scheme)** [1]

**(Benchmark - KSE 30 Index)**

**MANAGED BY**

## National Fullerton Asset Management Limited

**1- Amended on December 14, 2010**

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**OFFERING DOCUMENT OF**

# NAFA STOCK FUND

**MANAGED BY**

**National Fullerton Asset Management Limited**

**[An Asset Management Company Registered under the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003]**

**Date of Publication of Offering Document January 15, 2007**

**Initial Offering Period: January 15, 2007 to January 19, 2007 (both days inclusive)**

The NAFA Stock Fund (the Fund/the Scheme/the Trust/the Unit Trust/NSF) has been established through a Trust Deed (the Deed), entered into between National Fullerton Asset Management Limited, the Management Company and Central Depository Company of Pakistan Limited, the Trustee and is authorized under the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 (the Rules).

## REGULATORY APPROVAL AND CONSENT

### Approval of the Securities and Exchange Commission of Pakistan

The Securities and Exchange Commission of Pakistan (SECP) has authorized the offer of Units of NAFA Stock Fund (the Fund) under Rule 67 of the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 (the Rules). The SECP has approved this Offering Document, under Rule 70 of the Rules.

It must be clearly understood that in giving this approval, the SECP does not take any responsibility for the financial soundness of the Fund nor for the accuracy of any statement made or any opinion expressed in this Offering Document.

The provisions of the Trust Deed and the Rules govern this Offering Document. It sets forth information about the Fund that a prospective investor should know before investing in the Fund. Prospective investors should consult one or more from amongst their legal adviser, stock broker, bank manager or other financial adviser.

Investors must recognize that all investments involve varying levels of risk. The portfolio of the Fund consists of market-based investments, listed as well as unlisted, that are subject to market fluctuations and risks inherent in all such investments. Neither the value of the Units in the Fund nor the dividend declared by the Fund are or can be assured. Investors are requested to read the Risk Disclosure and Warnings statement contained in Clause 2.4 and Clause 11 respectively in this Offering Document.

**Filing of the Offering Document**

The Management Company has filed a copy of the Offering Document signed by the Chief Executive along with the Trust Deed with the SECP. Certified copies of these documents along with documents 3 to 7 below can be inspected at the registered office of the Management Company or the place of business of the Trustee:

1. The SECP's letter No. **NBFC(II)/AD/871/2005** dated **December 14, 2005** granting license to NAFA to carry out Asset Management Services together with the copy of the license;

2. The SECP's Letter No. **NBFC-II/3/NAFA/AMC&IA/3/2006** dated **April 7, 2006** granting License to NAFA to carry out Investment Advisory Services together with the copy of the license;

3. Trust Deed (Deed) of NAFA STOCK FUND dated **December 06, 2006** between National Fullerton Asset Management Limited (NAFA) as the establisher and the Management Company and Central Depository Company of Pakistan Limited (CDC), as the Trustee;

4. SECP Letter No. SEC/NBFC-II/JD/NSF/2006/948 dated December 20, 2006 authorizing NAFA STOCK FUND;

5. SECP Letter No. **NBFC-II/AD-ZRK/NAFASF/864/2006** dated **December 04, 2006**, approving the appointment of CDC as the Trustee of NAFA Stock Fund;

6. Letters from A.F. Ferguson & Co., Chartered Accountants, Auditors of NAFA Stock Fund, consenting to the issue of statements and reports;

7. The SECP's letter No. **SEC/NBFC-11/JD/NAFA/17/2007** dated **January 11, 2007**, approving this Offering Document.

## 1. CONSTITUTION OF THE SCHEME

### 1.1 Constitution

The Fund is an open-ended fund and has been constituted by a Trust Deed entered into at Karachi on **December 06, 2006** between:

[1]NBP Fullerton Asset Management Limited ( Formerly **National Fullerton Asset Management Limited (NAFA),** a Non-Banking Finance Company incorporated under the Companies Ordinance 1984, and licensed by SECP to undertake asset management services with its registered office at [1] ~~Ground Floor, Muhammadi House~~9th Floor , Adamjee House., I.I.Chundrigar Road, Karachi, as the establisher of the Fund and the Management Company; and

**Central Depository Company of Pakistan Limited (CDC),** a Company incorporated under the Companies Ordinance 1984, with its registered office at CDC House, 99-B, Block 'B', S.M.C.H.S., Main Shahra-e-Faisal, Karachi, Pakistan as the Trustee.

### 1.2 Registered Address, Place and Date of Creation

The registered address of the[1] NBP Fullerton Asset Management Limited (Formerly National Fullerton Asset Management Limited is ~~Ground Floor, Muhammadi House~~9th Floor, Adamjee House, I.I.Chundrigar Road, Karachi. The Trust was created on **December 06, 2006.**

**1- Amended on December 14, 2010**

The official web site address of National Fullerton Asset Management Limited is www.nafafunds.com

**1.3 Trust Deed**

The Deed is subject to and governed by the Non-Banking Finance Companies (Establishment & Regulation) Rules 2003, Securities and Exchange Ordinance 1969 and all other applicable laws and regulations. The terms and conditions in the Deed and any supplemental deed(s) shall be binding on each Unit Holder.

**1.4 Modification of Trust Deed**

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

1) To such extent as may be required to ensure compliance with any applicable laws and regulations or any amendment of such laws and regulations;

2) To enable the provisions of the Deed to be more conveniently and efficiently implemented;

3) To enable the Units to be listed on a Stock Exchange or any other Exchange; or

4) Otherwise to the benefit of the Unit Holders.

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

Where the Deed has been altered or supplemented, the Management Company shall notify to the Unit Holders at their respective registered addresses and the dispatch of such notices to the Unit Holders will be announced in one daily newspaper having its primary circulation in Pakistan.

[1]If the Commission modifies the Rules and/or Regulations or allows any relaxations to the Rules and/or Regulations or issue any directive(s), guideline(s) or circular(s) there under, these shall deem to have been included in this Trust Deed without requiring any modifications in this Deed and shall prevail in case of conflict with the provisions of the Trust Deed. If at any time, any Clause of Trust Deed is and/ or becomes in whole or in part, illegal, invalid or unenforceable under the laws of any applicable jurisdiction, neither the legality, validity and enforceability of the remaining Clauses of this Deed hereof, nor the legality, validity or enforceability of such Clause under the law of any other jurisdiction shall in any way be affected or impaired thereby.~~However, if the Commission (SECP) modifies the Rules to allow any relaxations or exemptions for all the funds, these will deemed to have been included in the Constitutive Documents without requiring any modification as such~~.

**1.5 Duration**

The duration of the Fund is perpetual. However, the SECP or the Management Company may, on the occurrence of certain events, wind it up as stated in Clause 13 of this Offering Document under the heading **"Termination of NAFA Stock Fund"**.

**1.6 Units**

**1.6.1** The Fund is divided into Units having an initial Offer price of Rs. 10/- (Rupees Ten only) each. This price is applicable to such Units that are issued before any of the assets of NSF are invested other than bank deposits, whether or not earning interest/mark-up. Thereafter, the Units shall be issued on the basis of the Net Asset Value (NAV) of NSF, which shall form the base for determining the Offer and Repurchase Prices.

All Units and fractions thereof represent an undivided share in the Fund and rank pari passu as to their rights in the net assets, earnings, and the receipt of the dividends and distributions.

**1 - Amended on December 14, 2010**

Each Unit Holder has a beneficial interest in NSF proportionate to the Units held by such Unit Holder. For the convenience of investors, the Management Company may issue Units with different options for different arrangements as chosen by the investor from time to time.

**1.6.2 The Management Company may issue the following Classes and Types of Units:**

**1.6.2.1 Classes of Units**

(a) Class "A" (Restricted/Core Units) issued to the Core Investors with no Sales Load. These Units cannot be redeemed for a period of two (2) years from the date of closure of Initial offer. However, such Units are transferable.

(b) Class "A" Units being offered and issued during the Private Placement and Initial Period of Offer (IPO) with no Sales Load.

(c) Class "B" Units, which shall be offered and issued after the Initial Period of Offer and with ~~Sales~~ Front-end[1] Load.

**1.6.2.2 Types of Units**

**(i) Growth Units:** The Unit value grows in line with the growth in the NAV, and the Unit Holders shall have the option to receive distribution income in the form of cash or bonus units.

**(ii) Income Units:** The Unit Holders, based on their own consent & instructions and with prior intimation to the Management Company, exercise the option of redeeming a certain number of Units for fulfilling their requirement of a certain cash amount at Regular Intervals (i.e. monthly, quarterly, semi-annually and annually). Such instructions shall be given in writing at the beginning of each regular interval or at the time of purchase of Units. Depending upon the instructions given by the Income-Unit Holders, the Income Units are further classified into two types:

**(a) Flexible Income Units -** The Flexible Income Unit Holders at the time of purchase or beginning of an interval authorize the Management Company to decide the quantum of part redemption of their unit holdings at the end of every regular interval based on the performance (NAV growth) of the Scheme during that regular interval.

**(b) Fixed Income Units -** The Fixed Income Unit Holders at the time of purchase or beginning of an interval specify a fixed cash amount required by them at regular intervals, and authorize the Management Company to redeem (at the prevailing NAV) such number of units from their holding that in rupee terms is equivalent to the specified fixed amount required at the end of every regular interval.

**1.6.2.3** The Management Company shall, calculate the redemption value to be paid to the Income Unit Holder(s) based on the Redemption Price of that day.

**1.7 Open-ended Fund**

It shall offer and redeem Units on a continuing basis subject to terms contained herein and to the Rules or Regulations[1]. There is no upper limit set on the Units to be issued to a single Unit Holder or on the total number of Units to be issued to the public. However, the Management Company may impose, from time to time, certain amounts of minimum monetary investment limits to facilitate economical and efficient management of investors' accounts. Fractional Units will be issued to enhance economical and efficient handling. Units are also transferable. Units will be

**1 - Amended on December 14, 2010**

issued in registered, un-certificated form and will be confirmed to investors by means of an account statement issued by the Transfer Agent. Certificates representing the Growth Units will be issued only if so requested by the Unit Holder at the time of application or at any later stage and upon payment of a fee not exceeding Rs. 25/- per certificate, subject to revision of this fee from time to time by the Management Company.

**1.8 Initial Offer**

Initial Offer is made during the Initial Period which will be five Business Days and start at the start of the banking hours on **January 15, 2007** and shall end at the close of the banking hours on **January 19, 2007**. This price is applicable to such Units that are issued before any of the assets of the Scheme are invested other than deposits, whether or not earning mark-up/profit. During the Initial Periond of Offering Units will not be redeemed. During the Initial Period Units will be issue at an Initial Price of Rs.10/- per Unit.

**1.9 Transaction in Units after Initial Offering Period**

Subsequent to the Initial Offer, the public sale of Units at Initial Price will be discontinued, the Units can be purchased at the their respective Offer Price and redeemed at the their respective Redemption Price. The Management Company will fix the Offer (Purchase) and Redemption (Repurchase) Prices daily on the basis of the Net Asset Value (NAV) of the Units after the close of the Stock Exchange(s) / Financial Market(s) Business Day. In the event there are closed days, for any reason, following that Business Day, the NAV so determined shall be adjusted for the accrual of income or losses if any for such closed day(s), the NAV based price per unit shall be fixed after adjusting for the Front-end Load or the Back-end Load as the case may be and any Transaction Costs that may be applicable save under circumstances elaborated in Clause 4.8 mentioned herein, such prices shall be applicable to Purchase and Redemption requests, complete in all respects, received during the business hours on the Business Day.

The Management Company may issue Units without ~~Sales~~ Front-end Load or with a reduced Sales Load to Unit Holders opting to receive Units in lieu of dividends.

1.10 "Administrative Plans" means investment plans offered by the Management Company and approved by the Commission, where such plans allow investors a specific investment strategy in any one or a combination of Schemes managed by the Management Company in accordance with the conditions specified by SECP."[1]

**2. INVESTMENT OBJECTIVES, INVESTMENT POLICY, RESTRICTIONS, RISK DISCLOSURE AND DISCLAIMER**

**2.1 Investment Objectives**

The objective of NAFA Stock Fund (NSF) is to provide investors with long term capital growth from an actively managed portfolio invested primarily in listed companies in Pakistan. The risk profile of the Fund will be moderate to high.

**2.1.1 Investment Policy**

NAFA Stock Fund (NSF) will primarily invest in equity and equity related instruments. In case the Fund Manager expects the stock market to drop, based on his analysis of macro economic factors such as interest rates, economic growth rates, political climate, corporate earnings, stock market valuations, etc, he/she may temporarily allocate assets to other asset classes, subject to the prescribed limits, [1]such as Treasury Bills (not exceeding 90 days) and bank deposits (excluding TDRs)~~such as money and debt markets, continuous funding system, ready future spread transactions, etc~~. To make stock selection decisions, fundamental and technical models will be employed and qualitative and quantitative analysis will be conducted to identify undervalued stocks.

*[1]Consistent with the Investment Objective, the Fund shall invest at least seventy percent (70%) of its Net Assets during the year (based on quarterly average investment calculated on daily basis) in a diversified portfolio of listed equity securities. The remaining Net Assets of the Fund shall be invested in cash and/or near cash instruments (excluding TDRs) and treasury bills not exceeding 90 days maturity*

*The performance benchmark of the Fund for the period of return shall be the 'KSE-30 Index' or such other benchmark as determined by the Management Company under prior intimation to the Trustee, SECP and the Unit Holders and disclosed in the Offering Document~~The~~* ~~**Benchmark for NSF is KSE 30 Index. The**~~

**1 - Amended on December 14, 2010**

~~Fund Manager may invest in a company upto the weight of that company in KSE 30 Benchmark or 10%, whichever is higher. The performance of NSF will be compared against the KSE 30 Benchmark. If the Fund Manager makes correct decisions on timing and selection of stocks, the Fund Manager will out- perform the Benchmark and vice versa. The performance of the Fund and the Benchmark will be reported to investors, at least on a quarterly basis.~~

| Sr. No. | Investment Type | Minimum Entity Rating | Maximum Exposure | Minimum Exposure |
|---|---|---|---|---|
| 1 | Listed Equity Securities and Unlisted Equity Securities, only if an application for listing has been accepted by the Stock Exchange | N/A | 100% | 70% |
| 2 | Treasury Bills (not exceeding 90 days maturity) | N/A | 30% | 0% |
| 3 | Bank deposits with Commercial banks (excluding TDR's) | A- | 30% | 0% |
| 4 | Deposits in foreign currencies with Commercial banks after prior approval of the applicable regulatory authority | A- | 30% | 0% |
| 5 | Subject to SECP or other regulatory approvals, the Scheme may invest in foreign securities issued, listed or otherwise and traded outside Pakistan on such terms, guidelines and direction as may be issued by SECP and the State Bank of Pakistan from time to time | N/A | 30% (subject to a cap of US$15 million) | 0% |

* The above exposures are based on quarterly average investment calculated on daily basis

**1 - Amended on December 14, 2010**

~~NAFA Stock Fund is an equity Fund and its "Authorized Investments" include all transacted, issued, traded, listed and unlisted investments, inside or outside Pakistan and may include the following:~~

- ~~Listed and Unlisted securities, shares and stocks~~
- ~~Government of Pakistan Investment Bonds, Federal Investment Bonds, Treasury Bills , other Government Securities ,credit linked notes and currency forwards;~~
- ~~Debentures and Certificates of Musharika (COM);~~
- ~~Long, medium and short term bank deposits with banks or financial institutions including deposit in currencies other than the Pakistani Rupee;~~
- ~~Units in any other collective investment scheme ;~~
- ~~Any other equity or money market securities;~~
- ~~Secured and unsecured listed or privately placed debt securities issued by local governments, government agencies, statutory bodies, private or public sector entities and/or financial institutions having a minimum investment grade rating. If the entit y issuing the debt securities is not rated then the instrument would have a minimum investment grade rating by a credit rating agency registered with the Commission;~~
- ~~Convertible debt securities issued by corporates/financial institutions.~~
- ~~Convertible and Non Convertible preferred shares.~~
- ~~Certificates of Investment/Deposits issued by financial institutions having a minimum investment grade rating by a credit rating agency registered with the Commission;~~
- ~~Asset Backed and Mortgage Backed Debt Securities;~~
- ~~Repurchase transactions ((REPOs) in money market instruments only and to the extent and for the purpose specified in the Rules)and reverse REPOs against securities;~~
- ~~Commercial Papers and any other money market debt security that may or may not be listed on the Stock Exchange but does not include bearer security or any other security that would involve assumption of unlimited liability;~~
- ~~Continuous Funding System (CFS) Investment in CFS or any other scheme replacing it subject to SECP's approval, shall be restricted upto a maximum of 25% of Net Assets of the Fund, with not more than 20% of CFS amount in any one script at the time of investment;~~
- ~~Spread Transactions. NAFA Stock Fund will enter into transactions aimed at earning a spread in the price of securiti es resulting from the timing difference between ready and future settlements. NAFA Stock Fund will buy in the ready settlement market and sell in future settlement market. Both the transactions will be carried out simultaneously so as to avoid any risk emanating from the movement in the prices of underl ying securities;~~
- ~~Warrants, Options, derivatives subject to the prior approval of SECP. Investment in this asset class would be for hedging purposes only and subject to such terms and conditions as approved by the Commission from time to time;~~

- Subject to SECP or other regulatory approvals the Scheme may seek to invest in Foreign securities issued, listed or otherwise and traded outside Pakistan on such terms, guidelines and directions as may be issued by SECP and the State Bank of Pakistan from time to time.

  Investments outside Pakistan will enable the Fund to diversify risk as well as avail opportunities for higher returns in international markets. Foreign investment by the Fund is subject to the following limits:

  (a) 30% of the Net Assets of the Fund.

  (b) The above percentage is subject to a cap of US$ 15 million. At some time in the future, the Management Company may expand this limit after seeking permission from the Commission and the State Bank of Pakistan. The limit to international investment will

**1 - Amended on December 14, 2010**

apply at the time of investment and it will not be necessary for the Trustee to sell the investments merely because, owing to appreciation or depreciation of any investments, change in foreign exchange parities, disposal of any investment or change in limit due to increase or decrease in Units, such limits shall be exceeded.

In case, due to the relative movement of the value of foreign investments and/or change in the limit, the value of foreign investments exceeds the above limits, the Management Company will have three months to bring the Fund into compliance.

Fund Property can be invested in international Investments including the following:

(a) International equities;
(b) International profit bearing securities;
(c) International money market;
(d) Foreign currency bank deposits and certificate of investments
(e) Foreign currency bank account in Pakistan
(f) Mutual Funds.

The Fund Investment Process to be focused on the equity asset class. Asset allocation in equity can range from 50% to 100% depending upon market valuations. In case of attractive stock market valuations the Fund could be 100% invested in stocks. However if the Fund manager is bearish on the stock market, he may reduce exposure in the stock market and invest excess liquidity in Fixed Income securities such as CFS, Bank deposits etc. Following investment process would be undertaken for each asset class.

1) The stock selection process to be a two phase approach, namely quantitative and fundamental analysis. Stock ranking based on the first phase shall be eligible for a detailed fundamental analysis.

   In the first phase of quantitative screening the basis of stock selection would be value, growth and quality characteristics of stocks.

   The quantitative screening process leads to the second phase of fundamental analysis whereby financial strength of the firm would be analyzed in addition to quality of management and business prospects.

2) On the fixed income side, the Fund Investment Process will be based on fundamental credit analysis of a securities or transaction that may be deemed suitable to be held either in their own right or integrated with various yield curve / sector strategies would decide the priority and place in the investment structure. Specifically, the Investment Process will consider the following key broad parameters:

   a) **Sponsor of the issue:** Investments will be made keeping in mind the market reputation and past track record of the issuing entity and its main sponsors.

   b) **Strength of financials and ability to repay:** The strength and stability of the issuing company's earnings will be taken into consideration and special focus will be made on its cash flows and the resultant ability to repay the debt.

   c) **Rate of return offered:** Attempt will be made to invest in those securities that offer competitive returns vis-à-vis other similar investments in the market.

d) **Industry fundamentals and future outlook:** Industry outlook and its future potential will also be looked into at the time of investing in any company's debt and fixed income instruments.

The Fund will seek to invest in those debt, fixed income instruments and Securities that offer attractive market returns and are issued by sponsors with good credit rating, strong financials and ability to repay. For Continuous Funding System (CFS) investments the Fund will seek to identify the CFS eligible stocks / scrips that offer attractive returns, and invest with only those brokerage houses, which have strong sponsors and financials.

### 2.1.2 Risk Control in the Investment Process

Investment process requires disciplined risk management. NAFA would incorporate adequate safeguards for controlling risks in the portfolio construction process. The investment restrictions defined in section 2.3 will reduce risk and result in portfolio diversification. NAFA believes that this diversification would help achieve the desired level of consistency in returns.

NAFA's investment team aims to identify securities following proper credit evaluation of the securities proposed to be invested in. In addition to its in-house research, NAFA will be guided by the ratings of Rating Agencies such as Pakistan Credit Rating Agency or JCR-VIS Credit Rating Company Limited or any other rating agencies that may be registered with SECP from time to time or any other reputed international credit rating agencies. In case a debt instrument is not rated, necessary clearance of the Investment Committee will be obtained for such an investment.

### 2.1.3 Management Company Can Alter Investment Mix

The Management Company can from time to time alter the weightages between the various types of investments if it is of the view that market conditions so warrant. The funds not invested in the foregoing avenues shall be placed as deposit with banks or financial institutions.

### 2.1.4 Investment in Securities Listed or Traded Outside Pakistan

The Management Company may with such regulatory permission that may be required to invest in debt and money market instruments that are issued, traded and or listed outside Pakistan.

### 2.1.5 Investment in Derivatives and Lending of Securities

Subject to regulatory permission from the SECP or other agencies that may be required and subject to the restrictions stated in Clause 2.3 herein below, the Management Company may seek to enhance the return on the Fund or to protect its value through derivatives. The investment in this class shall be for hedging purposes and subject to such term and conditions that may be specified by SECP from time to time.

## 2.2 Changes in Investment Policy

The investment policy will be governed by the Rules or Regulation[1] (subject to any exemptions provided to the Fund specifically by SECP). Any fundamental change in the Investment Policy will be implemented only after obtaining prior approval from SECP and giving proper notice to the Unit Holders to the satisfaction of the Trustee.

**1 - Amended on December 14, 2010**

## 2.3 Investment Restrictions and Exposure Limits

The Fund shall follow the investment restrictions and exposure limits imposed by the Rules [1]or Regulations. In the event of any changes in the investment restrictions in the Rules or Regulations, restrictions applicable to NSF shall automatically be applied. The present exposure limits and restrictions are given hereunder:

[1]The Asset 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 instrument for the redemption money to the unit holder within time period stipulated in the Regulations

[1]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.

a) Investments in CFS shall be restricted upto a maximum limit of 25% of the Net Assets of the Fund, with not more than 20% of CFS amount in any one scrip at the time of investment.

b) The Fund shall not at any time:

1. Purchase or sell:
   - Bearer securities;
   - Securities on margin;
   - Securities which result in assumption of unlimited liability (actual or contingent);
   - Real estate or interest in real estate save and except that the Management Company may invest in securities secured by real estate or interest therein or equity securities issued by companies that invest in real estate or interest therein;
   - Invest in anything other than Authorized Investments as defined herein;
   - Participate in a joint account with others in any transaction
   - Make short sale of any security or maintain a short position;
   - Government of Pakistan Investment Bonds, Federal Investment Bonds, Treasury Bills[1]
   - Other Government Securities ,credit linked notes and currency forwards; [1]
   - Debentures and Certificates of Musharika (COM); [1]
   - Units in any other collective investment scheme ; [1]
   - Secured and unsecured listed or privately placed debt securities[1]
   - Convertible debt securities issued by corporate / financial institutions[1]
   - Convertible and Non-Convertible preferred shares. [1]
   - Certificates of Investment/Deposits issued by financial institutions having a minimum investment grade rating by a credit rating agency registered with the Commission;
   - Asset Backed and Mortgage Backed Debt Securities; [1]
   - Reverse REPOs against securities; [1]
   - Commercial Papers and any other money market / debt security that may or may not be listed on the Stock Exchange.
   - Spread Transactions[1]
   - Warrants, Options, derivatives[1]
   - Continuous funding system or its replacement. [1]
   - Any other investment not covered in the authorized investments; [1]

2. As per Rule 71(4) of the Rules, Scheme shall not invest more than twenty five (25) percent of its net asset value in securities of any one sector as per classification of the stock exchange(s). However, the Commission vide its letter no. NBFC/MF-RS/NAFASF/845/2006 dated November 29, 2006, has granted relaxation to NAFA Stock Fund (NSF) whereby the Scheme shall not invest more than twent y five (25) percent of its net asset value in securities of any one sector (as per classification of the pertinent stock exchange(s)) or weight of that sector in the KSE 30 Index, whichever is higher. The investments in securities other than Government securities shall be restricted to not more than ten percent of the Net Assets per issuer.

**1 - Amended on December 14, 2010**

3. As per Rule 71(3) of the Rules, investment of a Scheme in any company shall not, at any time, exceed an amount equal to 10% of the total Net Asset Value of the Scheme at the time of investment or 10% of the issued capital of the investee company. However, the Commission vide its letter no. NBFC/MF-RS/NAFASF/845/2006 dated November 29, 2006, has granted relaxation to NAFA Stock Fund (NSF) whereby the investment of a Scheme in any company shall not, at any time exceed an amount equal to 10% of the total Net Asset Value of the Scheme at the time of investment or weight of the company in the KSE 30 Index, whichever is higher. Also, investment of the Fund shall not exceed 10% of the issued capital of the investee company.

4. The Scheme shall not invest less than 50% of its assets in listed securities or in securities for the listing of which an application has been approved by the Stock Exchange.

**2.3.1 Exception to the Investment Restrictions**

[1]In the event Exposure limits are exceeded due to corporate actions including taking up rights or bonus issue and owing to appreciation or depreciation in value of any Investment, disposal of any Investment or Redemption of Units, the excess exposure shall be regularized in such manner and within such time as specified in the Regulations and prescribed by SECP~~In the event, the weightages of the securities or the sectors exceed the limits laid down in this offering document or the Rules as a result of the relative movement in the market prices of the investments or through any disinvestment, the Management Company shall make its best endeavor to bring the exposure within the prescribed limits within three months of the event~~.

Pursuant to SECP Letter No. NBFC/MF-RS/NAFASF/845/2006 dated November 29, 2006 the Fund has been granted the following two relaxations with respect to the Investment Restrictions:

A. According to Rule 71 (3) of the Rules, the investment of an open-end fund in any company shall not, at any time, exceed an amount equal to ten per cent of the Net Asset Value of the scheme or ten per cent of issued capital of the investee company. The limit of ten percent (10%) has been relaxed whereby Investment of NSF in any company shall not, at any time, exceed an amount equal to ten percent (10%) of its Net Asset Value or weight of that company in the KSE 30 Index , which ever is higher. Also, investment of the Fund shall not exceed 10% of the issued capital of the investee company.

B. According to Rule 71(4) of the Rules (the NBFC Rules), an open-end fund is not permitted to invest more than twenty five percent of the Net Asset Value of the Fund in securities of any one sector as per classification of the stock exchange in which such security is listed, except where relaxation is granted by the SECP. The limit of Twenty Five Percent (25%) has been relaxed whereby NSF shall not invest more than twenty five percent of its Net Asset Value in any one sector (as per the classification of the pertinent stock exchange(s)) or weight of that sector in the KSE 30 Index, which ever is higher.

**2.3.2 Borrowing and Borrowing Restrictions**

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 borrowing for account of the Scheme, with the approval of the Trustee, from Banks, Financial Institutions or nonbanking finance companies. The borrowing however, shall not be resorted to, except for meeting the redemption requests and shall be repayable within a period of ninety days and such borrowing shall not exceed fifteen per cent of the Net Asset of the Scheme at the time of borrowing or such other limits as specified by the Commission~~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 or Financial Institutions for borrowing by the Trustee for the account of the Scheme; provided that the borrowing shall not be resorted to, except for meeting the redemption requests~~.

2. The charges payable to any Bank or Financial Institution against borrowings on account of the Fund shall not be higher than the normal prevailing bank charges or normal market rates.

3. The maximum borrowing for the account of the Trust shall not exceed fifteen percent (15%) of the total Net Assets Value of the Scheme or such other limit as may be provided in the Rules or Regulation[1]. 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.

**1- Amended on December 14, 2010**

4. 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 and Financial Institutions. The Trustee or the Management Company shall not in any manner be liable in their personal capacities for repayment of such loans or advances.

5. For the purposes of securing any such borrowing the Trustee may ~~with the approval~~ upon instruction[1] of the Management Company mortgage, charge or pledge in any manner all or any part of the Fund Property provided that the aggregate amount secured by such mortgage, charge or pledge shall not exceed the limits provided under the Rules or Regulations[1] and/or any law for the time being in force.

6. Neither the Trustee nor the Management Company shall incur any liability by reason of any loss to the Trust or any loss that Unit Holders may suffer by reason of any depletion in the Net Asset Value that may result from any borrowing arrangement made hereunder in good faith.

**2.3.3 Restriction of Transactions with Connected Persons**

i. The Fund Property shall not be invested in any security of a company if any Director or Officer of the Management Company individually owns more than five percent (5%) of the total nominal amount of the securities issued or collectively the Directors and Officers of the Management Company in their individual capacities own more than ten percent (10%) of those securities.

ii. The Fund shall not purchase from or sell any security to the Management Company or the Trustee or to any Director, Officer or Employee of the Management Company or Trustee or to any person who beneficially owns ten percent (10%) or more of the equity of the Management Company or the Trustee, or the major shareholders of the Trustee Company, save in the case of such part y acting as an intermediary.

iii. For the purpose of sub-paragraphs (i) and (ii) above the term Director, Officer and Employee shall include spouse, lineal ascendants and descendants, brothers and sisters.

iv. The Management Company on behalf of a Scheme shall not without the approval of the Board of Directors in writing and consent of trustee, purchase from, or sell any securities to any connected person or employee of the Asset Management Company.[1]

**2.4 Risk Disclosure**

Investors into NSF must realize that all investments in mutual funds and securities are subject to market risks. Our target return / dividend range cannot be guaranteed and it should be clearly understood that the portfolio of NAFA Stock Fund is subject to market price fluctuation, interest rates' movement, money market fluctuations and other risks inherent in all such investments. The risk emanates from various factors that include, but are not limited to:

**1. Equity Risk:** Share prices are generally volatile and may go up and down because of their dependence on market sentiments, speculative activity, supply and demand for the shares and liquidity in the market**.** Mutual funds that purchase shares become part owners in the companies. The companies' performance, domestic and/or industry out look with respect to technological and consumer behavior dynamics, market activity and the larger economic scenario influence the price of these shares. Moreover, lack of trading in the investee companies securities resulting in liquidity crisis. When the economy is expanding, the outlook for many companies is positive and the value of these shares may rise, and vice versa. Share prices are also affected by the quality of the management of investee companies.

For smaller companies, start-ups, resource companies and companies in emerging sector, the risk and potential rewards are usually greater.

**2. Derivative Risk:** Derivatives may be used to limit or hedge potential losses associated with capital markets and return/mark-up/coupon rates. This process is called "hedging". Derivatives may also be used for non-hedging purposes - to reduce transaction costs, achieve greater liquidity, creates effective exposure to financial markets or increase speed and flexibility in making portfolio changes. Any use of derivatives, including but not limited to, has following risks:

a) The hedging strategy may not be effective.

**1. Amended on December 14, 2010**

b) There is no guarantee that a market will exist when a fund wants to buy or sell the derivative contract.

c) A large percentage of the assets of a fund may be placed on deposit with one or more counter parties, which exposes the fund to the credit risk of those counterparties.

d) There is no guarantee that an acceptable counterpart will be willing to enter into the derivative contract.

e) The counter-party to the derivative contract may not be able to meet its obligations.

f) The exchanges on which the derivative contracts are traded may set daily trading limits, preventing a fund from closing out a particular contract.

g) If an exchange halts trading in any particular derivative contract, a fund may not be able to close out its position in that contract.

h) The price of a derivative may not accurately reflect the value of the underlying security or index.

**3. Government Regulation Risk:** Government policies or regulations are more prevalent in some sectors than in others. Funds that invest in these sectors may be affected due to change in these regulations or policies, which directly or indirectly affect the earnings and/or the cash flows and/or any governmental or court orders restraining payment of capital, principal or income.

**4. Voluminous Purchase/Redemption of Fund Units Risk:** Any significant transaction made by any investor could significantly impact a fund's cash flow. If a third party buys large amounts of units of a fund, the Fund could temporarily have a high cash balance. Conversely, if a third party redeems large amounts of units of a fund, the fund may be required to finance the redemption by selling securities at an inopportune time. This unexpected sale may have a negative impact on the performance of the investment.

**5. Other Risks Involved:**

a) Mismanagement of the investee company, third party liability whether through class action or otherwise or occurrence of other events such as strikes, fraud etc., in the company in which the investment is made.
b) Break down of law and order, war, terrorist activity, natural disasters etc.
c) Senior rights of some creditors over other creditors in the event of winding up.
d) Credit risk
e) Interest rate risk
f) Counter part risk

**2.4.1 Prices of Units of the Fund and income from them may go up or down.**

**2.4.2** Under exceptional (extraordinary) circumstances, the Management Company may declare suspension of redemptions, invoke a queue system or announce winding-up in such events the investor will probably have to wait for payment beyond the normal period and the redemption amount so determined may be lower than the price at the time the redemption request is lodged. Investors are advised to read the relevant clauses of the Fund's Trust Deed for more detailed information regarding this clause.

**2.4.3 Depletion Risk - Fixed Income Units**

For Fixed Income Units Holders, investment value may deplete over the period if the earnings on the investment is below the desired of fixed income that they require.

**2.4.4 Concentration Risk**

- Since the maximum investment of the Fund in a security will be greater of 10% or weight of that security in the Benchmark, which ever in higher, the Fund may carry concentration risk.
- Since the maximum investment of the Fund in one sector will be greater of 25% or weight of that sector in the Benchmark, whichever is higher, the Fund may carry concentration risk.

**2.4.5** Investment in the Fund is suitable for investors who have the ability to take the risks associated with financial and capital market investments. Capital invested in the financial and capital markets could in extreme circumstances lose its entire value. However, diversification of the investment into a number of highly liquid equities, fixed income securities including money market instruments and repurchase transactions tends to reduce the risk substantially. The historical performance of the Funds, the financial and capital market or that of any one security or transaction included in the Fund's portfolio does not indicate the future performance.

2.4.6 *There may be times when a portion of the investment portfolio of the Scheme is not compliant either with the investment policy or the minimum investment criteria of the assigned 'category' as Equity Scheme. This non-compliance may be due to various reasons including, adverse market conditions, liquidity constraints or investment – specific issues Investors are advised to study the latest Fund Manager Report specially portfolio composition and Financial Statements of the Scheme to determine what percentage of the assets of the Scheme, if any, is not in compliance with the minimum investment criteria of the assigned category. The latest monthly Fund Manager Report as per the format prescribed by Mutual Funds Association of Pakistan (MUFAP) and financial statements of the Scheme are available on the website (www.nafafunds.com) of the NBP Fullerton Asset Management Limited (NAFA) and can be obtained by calling/ writing to the NAFA.*[2]

**2.5 Disclaimer**

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

## 3. OPERATORS AND PRINCIPALES

### 3.1 Management Company

**3.1.1 Organization**

[1]NBP Fullerton Asset Management Limited (Formerly National Fullerton Asset Management Limited (NAFA) is a Non-Banking Finance Company ~~with a~~ licensed to undertake Asset Management Services as per the Rules [1]and Regulations. The main sponsors of NAFA are National Bank of Pakistan~~, NIB Bank Limited~~ and Alexandra Fund Management Pte. Ltd., (a member of Fullerton Fund Management Group, Singapore, which in turn is a wholly owned subsidiary of Temasek Holdings, Singapore). [1]NAFA's vision is to establish itself as a premier Asset Management Company that capitalizes on the technical and institutional strength of its promoters to consistently offer creative and pioneering domestic and international products tomeet varying needs of investors. Itsmission is to rank in the top performing quartile ofAsset ManagementCompanies and to consistently offer superior risk-adjusted returns to investors~~NAFA's main area of business is Investment Management; more specifically floating and managing mutual funds and discretionary management of institutional portfolios. NAFA's vision is to establish itself as a premier Asset Management Company that capitalizes on the technical and institutional strength of its promoters to consistently offer creative and pioneering domestic and international products to meet varying needs of investors. Its mission is to rank in the top quartile in performance of NAFA mutual funds and portfolios relative to the competition, and to consist ently offer superior risk-adjusted returns to investors.~~

| Name | Number of Shares Held | Amount in Rupees |
|---|---|---|
| Alexandra Fund Management Pte. Ltd. | 8,999,998 | 89,999,980/- |

**1 Amended on December 14, 2010 2. Amended on May 27, 2011**

| | | |
|---|---|---|
| National Bank of Pakistan | 13,499,995 | 134,999,950/- |
| Dr. Amjad Waheed | 2,500,000 | 25,000,000/- |
| Mr. Qamar Hussain | 1 | 10/- |
| Mr. Gerard Lee How Cheng | 1 | 10/- |
| Mr. Kamal A. Chinoy | 1 | 10/- |
| Mr. Patrick Pang Chin Hwang | 1 | 10/- |
| Mr. Shehryar Faruque | 1 | 10/- |
| Mr. Shahid Anwar Khan | 1 | 10/- |

NAFA is the first public/private sector partnership in the mutual fund industry of Pakistan, backed by major financial institutions. This partnership is expected to build confidence among investors who are usually wary of the mutual funds operating in the market because of heavy stake of brokerage houses in the ownership and management of these companies, which may result in a conflict of interest.

### 3.1.2 National Bank of Pakistan

- Pakistan's largest commercial bank with total assets of Rs. 626 billion and deposits of Rs. 483 billion.
- A distribution network of over 1246 domestic and international branches.
- Pre-tax profit has risen from Rs. 1 billion in 2000 to over Rs. 20 billion (September 2006).
- Awarded "Bank of the Year 2001, 2002, 2004 & 2005" by the world renowned "The Banker Magazine" Financial Times Group, UK.
- "Euromoney" magazine, a leading journal in its issue of March 2005, listed NBP among the "Top 100 Banks of Asia" being the only Pakistani bank in the list.
- Best Foreign Exchange Bank in Pakistan 2005 & 2006 by "Global Finance Magazine".
- JCR-VIS Credit Rating Company Limited has reaffirmed the bank's entity rating of AAA/A-1+ and Stand Alone Rating AA+/A-1+.

### ~~3.1.3 NIB Bank Limited~~[1]

- ~~NDLC and IFIC Bank limited merged of September 23, 2003. Operations commenced in October, 2003.~~
- ~~Acquired operations of Credit Agricole Indosuez in April, 2004.~~
- ~~Temasek Holdings acquired 73% stake in NIB Bank in June 2005.~~
- ~~Total equity of NIB Bank exceeds PKR 4.2 Billion.~~
- ~~One of the fastest growing commercial banks in Pakistan.~~
- ~~A network of 30 branches all over Pakistan, and expanding.~~
- ~~Asset base has exceeded PKR 40 billion by September, 2006.~~
- ~~Rated A+ (Long term)/A1 (Short Term) by Pakistan Credit Rating Agency Limited (PACRA).~~

### 3.1.4 Alexandra Fund Management Pte. Limited

**1 Amended on December 14, 2010**

- Alexandra Fund Management Pte. Limited is a member of the Fullerton Fund Management Group.
- Fullerton Fund Management Company (FFMC) was established in 2003 as a wholly owned subsidiary of Temasek Holdings, Singapore (a USD75 billion Investment Company rated AAA by both Moody's and Standard and Poor).
- Investment team comprises nearly 30 investment professionals; majority of whom are CFA charter holders.
- Committed to being an Asian specialist with extensive Asian network.
- Experience in both relative and absolute returns strategies.

**3.2 Board of Directors of the Management Company**

| Name, Occupation & Address | Position | Other Directorships |
|---|---|---|
| **Mr. Qamar Hussain**<br>**Banker**<br>Karachi | **Chairman** | NBP Exchange Company Limited<br>NBP Capital Limited<br>National Bank Modarba Management Company Limited |
| **Dr. Amjad Waheed**<br>**Fund Manager**<br>76-2, 10th Street,<br>Khyaban-e-Sehar, Phase VI,<br>D.H.A. Karachi | **Chief Executive Officer** | None |
| **Kamal Amir Chinoy**<br>**Business**<br>Grey House, 30 Clifton,<br>Karachi-75600 | **Director** | Pakistan Cables - Chief Executive<br>International Industries Limited<br>Atlas Insurance Limited<br>Pakistan Security Printing Corporation |
| **Shehryar Faruque**<br>**Business**<br>House # 34, Khybane<br>Mujahid Phase 5,<br>D.H.A. Karachi. | **Director** | Mirpurkhas Sugar Mills Limited<br>Cherat Papersack Limited<br>Cherat Cement Company Limited<br>Faruque (Pvt.) Limited |
| **Mr. Shahid Anwar Khan**<br>**Banker**<br>204, Asthma Homes,<br>142 N/2, Block 2, P.E.C.H.S.,<br>Karachi | **Director** | First Credit and Investment Bank Limited (formerly First Credit and Discount Corporation Ltd.)<br>NBP Exchange Company Limited<br>National Agriculture Limited<br>Fauji Fertilizer Company Limited |
| **Mr. Patrick Pang Chin Hwang**<br>**Fund Manager**<br>27 Sandilands Road,<br>Singapore 546104 | **Director** | None |

**1 Amended on December 14, 2010**

| | | |
|---|---|---|
| **Mr. Gerard Lee How Cheng**<br>**Fund Manager**<br>35, Hindhede Walk # 05-05<br>Singapore 587969 | **Director** | Fullerton Fund Management Co. Ltd. Singapore<br>Alexandra Fund Management Pte. Ltd. Singapore<br>Fullerton Absolute Returns Investment Strategies Master Fund<br>Fullerton Absolute Returns Investment Strategies Fund<br>Fullerton Monex Asia Fund<br>Fullerton Monex Asia Feeder<br>Fullerton India Fund<br>ST Gabriel's Foundation<br>Fullerton Funds S2 SPC<br>Fullerton Asian Multi-Strategies Master Fund<br>Fullerton Asian Multi-Strategies Non-US Feeder Fund<br>Fullerton Lux Funds |

### 3.2.1 Profile of Directors

[1]*Qamar Hussain - Chairman* ~~Mr. Masood Karim Shaikh, FCA~~ - **Chairman**

Mr. Qamar Hussain is serving as Chief Operating Officer and Head of Credit/Risk Management functions of National Bank of Pakistan. Besides Credit Management Group, Risk Review and Industry Research Division and Economic Research Wing also fall under his preview. Mr. Qamar has rich experience in domestic and international markets in various areas of banking operations. Prior to joining National Bank of Pakistan, He worked with American Express Bank Limited (Amex) as Senior Director – Global Credit, New York and Country Manager of Amex Bangladesh.

~~Mr. Masood Karim Shaikh is the Senior Executive Vice President and Group Chief Corporate & Investment Banking at National Bank of Pakistan (NBP). He is also a member of Credit, Operations, Human Resources and IT Committees of NBP. He carries with him over 20 years of rich diversified experience in Finance, Treasury, Corporate and Equity Markets, serving foreign banks and large local banks such as Emirates Bank International, Mashreq Bank Psc. and Muslim Commercial Bank Ltd. (now known as MCB Bank Ltd.). He is a Fellow Member of the Institute of Chartered Accountants of Pakistan~~.

**Dr. Amjad Waheed, CFA- Chief Executive Officer**

Dr. Amjad Waheed, CFA is one of the leading fund managers in the region. Prior to his appointment as the Chief Executive Officer of NAFA, he was the Head of Equity Mutual Funds and Portfolios at Riyadh Bank, Saudi Arabia managing US$ 7.5 billion of assets. Dr. Waheed was Head of Asset Management at National Investment Trust Limited (NITL) before moving to Riyadh. Dr. Waheed holds a Doctorate in Finance with a Major in International Investments from Southern Illinois University, USA and is a Chartered Financial Analyst (CFA) charter holder.

**Kamal Amir Chinoy**~~**Khawaja Iqbal Hassan**~~**- Director**

*B.Sc. Economics from the Wharton School, University of Pennsylvania, USA. He is currently Chief Executive of Pakistan Cables Ltd. And director of International Industries Ltd., Pak Chemicals Ltd., International Steels Ltd., Pakistan Security Printing Corp. Ltd. and Atlas Insurance Company Ltd. He is on the Executive Committee of Management Association of Pakistan, International Chamber of Commerce, Advisory Council of Citizens Archive of Pakistan, Management Committee of the Sind Club and Admission Committee of Aga Khan University. He is also the Honorary Consul General of Republic of Cyprus. Previously, he has served as the Chairman of the Aga Khan Foundation, Pakistan. He joined Pakistan Cables in 1992.*

**1 Amended on December 14, 2010**

~~Khawaja Iqbal Hassan is the President and Chief Executive Officer of NIB Bank Limited. The NIB Bank Limited was created by him through the merger of National Development Leasing Corporation and domestic branches of IFIC Bank, followed by an amalgamation with the domestic branches of Credit Agricole Indosuez. He has 24 years of successful commercial and investment banking experience in diversified markets covering USA, Saudi Arabia, Turkey and Pakistan. He has thorough knowledge of Pakistan's capital markets. He is the founder of Global Securities Pakistan Limited which is now one of the largest and most active corporate finance and securities houses in Pakistan. He is a high profile banker involved in originating and executing complex financial transactions~~.

~~**Sheikh Khalid Jamil - Director**~~

~~Mr. Khalid Jamil is currently Executive Vice President and Country Treasurer of NIB Bank Limited, Karachi and has over 17 years of treasury and investment banking experience in Pakistan and Kuwait. He holds a graduate degree from Karachi University and a professional diploma from the Association of International Bond Dealers (AIBD), Zurich, Switzerland. He is highly respected as a senior member of the inter bank treasury community and was elected as the President of Financial Markets Association of Pakistan (FMAP) in Year 2000. During the last 10 years he was the Country Treasurer of the largest European and French Bank (Credit Agricole Indosuez, Karachi), which ranked as the most profitable treasuries in terms of forex revenues~~

**1 Amended on December 14, 2010**

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**Mr. Shahid Anwar Khan-Director**

[1]*Mr. Shahid Anwar Khan is the Senior Executive Vice President and Group Chief Credit Management Group at National Bank of Pakistan (NBP). He is also a member of Credit, Assets & Liabilities and Operations Committees of the NBP. He has been serving the Bank for more than 22 years in various capacities. He holds directorship in First Credit and Investment Bank Limited (formerly First Credit and Discount Corporation), National Agriculture Ltd., Fauji Fertilizer Limited and Pakistan Engineering Company Ltd. Mr. Khan is a Textile Engineer and an MBA from USA (Major in Finance) and also holds diploma of IBP*

**Mr. Gerard Lee How Cheng, CFA- Director**

Mr. Gerard is the Chief Executive Officer of Fullerton Fund Management Company Limited (FFMC), a wholly-owned subsidiary of Temasek Holdings. He was previously the Head of Temasek's Fund Management Division. Before joining Temasek, he had held position as Deputy Chief Investment Officer at Deutsche Asset Management Singapore, Head of Fixed Income Sales at SBC Warburg Singapore and Head of GIC's New York Office.

He takes an active interest in the professional development of the Singapore capital markets and is currently advisor to ACI Singapore - The Financial Markets Association. He was the President of the New York - Singapore Association during his stint in New York. Currently he serves on the School Management Committee of his Alma Mater.

Mr. Gerard, a CFA charter holder, graduated from the National University of Singapore with B.Sc. (Hons.) in 1984.

**Mr. Patrick Pang Chin Hwang CFA- Director**

Mr. Patrick is a Director and Portfolio Manager at FFMC, where he is a part of the equities team investing in Asia-Pacific. He has twelve years if investment experience. He is also in-charge of FFMC's joint-venture efforts. Prior to joining FFMC, he was a team leader at Temasek Holdings direct investment division focusing on the financial services sector in the Asia-Pacific region.

Before joining Temasek in 2001, Mr., Patrick was co-head of equity research for financial services sector at Lehman Brothers based in Hong Kong for two years, where he covered Taiwan, South Korea and the Philippines. He started his career with the regional equity research team at Jardine Fleming Exchange in 1994 and has worked in its Singapore and Philippine offices.

Mr. Patrick graduated *magna cum laude* from the University of Southern California with a degree in Business Administration, and is a CFA charter holder.

### 3.2. 2 Profile of Management

**Dr. Amjad Waheed, CFA- Chief Executive Officer**

Dr. Amjad Waheed, CFA is one of the leading fund managers in the region. Prior to his appointment as the Chief Executive Officer of NAFA, he was the Head of Equity Mutual Funds and Portfolios at Riyadh Bank, Saudi Arabia managing US$ 7.5 billion of assets. Dr. Waheed was Head of Asset Management at National Investment Trust Limited (NITL) before moving to Riyadh. Dr. Waheed holds a Doctorate in Finance with a Major in International

**1 Amended on December 14, 2010**

Investments from Southern Illinois University, USA and is a Chartered Financial Analyst (CFA) charter holder.

**Mr. Nadeem Hasan**
***Head, Institutional Marketing***
Mr. Hasan has over thirty years of financial & marketing experience with a successful international & local track record. Before joining NAFA he served as a Consultant & Coordinator to NIB Bank Limited, National Bank of Pakistan and the Fullerton Fund Management Group, Singapore for the creation of NAFA.

His vast experience boasts associations with several well known and large multinational companies such as Halcrow Group, Pratt & Whitney, Racal, Hughes Network System, Mercer Management, TCC/BHP, for business development. His international banking experience with Bank of Credit & Commerce was in UK, USA & Middle East and covered all major areas of corporate, private & correspondent banking.

He has successfully worked on various programmes of World Bank / ADB / JICA in the areas of capital markets, financial sector and other infrastructural & development projects. He has been an advisor on debt & equity restructuring and syndications in the corporate sector and worked closely with all major financial institutions in Pakistan.

**Mr. Ali Abedi**
***Head of Sales***

Mr. Ali Abedi is an MBA from USA. He has Marketing and Sales Management experience of 36 years. He was District Sales Manager for Banker's Life & Casualty for the State of Oklahoma, he set a company record of selling Retirement Plans. From 1980 till 2000, he was involved in his own business, with a sales organization of over 700 sales persons. He has a rich experience as a sales and marketing consultant in a wide variety of businesses. Mr. Abedi is associated with the Mutual Fund industry since the last two years.

**Mr. Hussain A. Naqvi**
***Head of Investment Operations***
Mr. Naqvi is an MBA with Major in Finance. He has worked with Ford Rhodes Robson and Morrow Chartered Accountants. Later he joined National Investment Trust Limited (NITL) and worked in their Finance Department. He was appointed as Coordinator for privatization of NITL. Mr. Naqvi was nominee director on the Boards of various companies.

**Mr. Muhammad Murtaza Ali, ACA**
***Chief Financial Officer & Company Secretary***
Mr. Murtaza Ali is the CFO and the Company Secretary of NAFA. He is a Chartered Accountant by profession. Prior to NAFA, he served Union Leasing Limited as CFO & Company Secretary for a period of almost five years. Before that he served M. Hidayatullah & Co. (Chartered Accountants) as Assistant Manager Audit.

He completed his articles from A.F. Ferguson & Co. (Chartered Accountants) a member firm of *Price Water House Coopers*. In this capacity he conducted and finalized audits of several businesses.

**Mr. Khurram Shehzad, CFA**
***Head of Equity***
Mr. Khurram Shehzad did his MBA from IBA, Karachi in 1998. He is a CFA charter holder and has extensive experience of capital market research and fund management. He served in the

domestic equity broking sector in various research oriented assignment including the Head of Research for three and a half years. Later on he joined Habib Bank Limited in their Corporate and Investment Banking Group and served as a Senior Relationship Manager for almost two years. In 2003, he joined PICIC Mutual Funds Division as Portfolio Analyst and moved to fund management whereby he managed funds worth USD 100 million. Subsequently, he moved to Investment Strategy side with the additional focus as Head of Research and has been strategizing for funds worth USD 330 million approximately.

**Mr. Adnan Faisal, CFA**
***Head of Research***
Mr. Adnan Faisal did his MBA from IBA, Karachi in 1997. He is a CFA charter holder and has a rich experience of research, software consultancy and teaching. He worked as Supply & Distribution Analyst for Shell Pakistan Limited (1998-1999). He worked as Research Analyst at ABN AMRO Equities Limited (1999-2000). He was the Chief Operating Officer of Emmaculate, a software consulting firm, from 2001 to 2006. He has also been teaching Finance at Greenwich University and Bahria University.

**Ms. Rukhsana Narejo, CFA**
***Fund Manager ± Fixed Income***
Prior to joining NAFA Ms. Narejo was serving BMA Asset Management Company Limited from 2005 to 2006, managing both equity and fixed income portfolios of discretionary funds under management, including retirement funds of prominent listed and multi-national companies. Prior to that she was working as a Research Analyst for fixed income investment decision making on the part of clients since 2003. From 2000 to 2003 she obtained fixed income and cash management experience at Crescent Capital Management Limited, and Standard Chartered Bank Limited.

Ms. Narejo holds the Chartered Financial Analyst (CFA) charter and Masters in Business Administration in Banking and Finance.

**Mr. Waqar A. Siddiqui**
***Head of Internal Audit and Compliance***
Mr. Waqar Siddiqui is a Chartered Accountant by profession and also holds professional certifications, Associate Chartered Certified Accountant (ACCA - UK) & Certified Internal Auditor (CIA - USA). Prior to joining NAFA, he worked with Central Depository Company of Pakistan Limited (CDC) in the capacities of Manager - Trustee & Custodial Operations and Deputy Manager - Legal & Compliance. He completed his mandatory professional training from Ford, Rhodes, Sidat, Hyder & Co. Chartered Accountants, a member firm of Ernst & Young International.

### 3.2.3 Duties and Responsibilities of the Management Company

[1]The responsibilities of the Management Company are to promote the sale of Units of the Fund, invest and manage the assets of the Fund according to the provisions of the Deed and the *Rules or Regulations*, in good faith, to the best of its ability and without gaining any undue advantage for itself or any Connected Persons or its Officers. *The Management Company shall maintain the books of accounts and other records of the Trust for a period of not less than ten (10) years. The Management Company shall not remove the records or documents pertaining to the Scheme from Pakistan to a place outside Pakistan without the prior written permission of SECP and the Trustee. The Management Company shall prepare an annual report, together with a copy of the balance sheet, income statement, cash flow statements, statement of movement in unit holders' or certificate holders' fund, expenditure account and the Auditor's report of the Scheme to the Trustee, the Unit Holder(s),the Commission and Stock Exchange and shall comply with the requirements set out in the Regulations.*

**1 Amended on December 14, 2010**

[1] *The Management Company shall prepare and transmit quarterly reports (physically or through electronic means or on the web subject to SECP approval) to the Unit Holder(s), the Trustee, the Commission and Stock Exchange, balance sheet as at the end of respective quarter, income statement, cash flow statement and statement of changes in equity for that quarter, whether audited or otherwise and shall comply with the requirements set out in the Regulations. The Management Company shall clearly specify cut-off timings (for acceptance of application forms of issuance, redemption, conversion etc of units of the Scheme) as determined by the Management Company and disclosed in the Offering Document on its web site and at designated points. Such cut-off timing shall uniformly apply on all Unit Holders. 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. The Management Company shall obtain a rating of the Scheme as per the Regulations or conditions prescribed by SECP.*

~~The responsibilities of the Management Company are to promote the sale of Units of the Fund, invest and manage the assets of the Fund according to the provisions of the Deed and the Rules, in good faith, to the best of its ability and without gaining any undue advantage for itself or any Connected Persons or its Officers. The Management Company shall maintain proper accounts and records of the Fund to enable a complete and accurate view of assets and liabilities, income and expenditure and amounts received in respect of Units and paid out on Redemption of Units and by way of distribution of profits, as required under the Rules. The Management Company shall prepare and transmit physically to Unit Holders (or through electronic means or on the web subject to SECP approval) to Unit Holders, the SECP and the Trustee, annual report together with balance sheet and income and expenditure account of the Fund and auditors report thereon. The Management Company shall also prepare and transmit~~

~~(or through electronic means or on the web subject to SECP approval) to Unit Holders, the SECP and the Trustee, together with Directors report, report of the Trustee, balance sheet and income and expenditure account of the Fund and auditors' report thereon, in accordance with the Rules.~~

In the unlikely event of its occurrence, the Management Company shall account to Trustee for any loss in value of the assets of the Fund caused by its negligence, reckless or willful act or omission. The Management Company shall be responsible for all acts and omissions of all persons or agents to whom it may delegate the performance of its functions as a manager as if they were its own acts or omissions. The Management Company shall not be under any liability except such liability as may be expressly assumed under the *Rules or Regulations* and the Deed, nor shall the Management Company (save as otherwise provided) be liable for any act or omission of the Trustee nor for anything else except its own negligence or willful breach of duty. The Management Company shall if it considers necessary request the Trustee in writing, for the protection of Fund Property or safeguarding the interest of the Unit Holders, to institute or defend any suit, proceeding, arbitration or inquiry or any corporate or shareholders' action in respect of the Fund Property or any part thereof.

~~In the unlikely event of its occurrence, the Management Company shall account to Trustee for any loss in value of the assets of the Fund caused by its negligence, reckless or willful act or omission. The Management Company shall be responsible for all acts and omissions of all persons or agents to whom it may delegate the performance of its functions as a manager as if they were its own acts or omissions. The Management Company shall not be under any liability except such liability as may be expressly assumed under the Rules and the Deed, nor shall the Management Company (save as otherwise provided) be liable for any act or omission of the Trustee nor for anything else except its own negligence or willful breach of duty. The Management Company shall if it considers necessary request the Trustee in writing, for the protection of Fund Property or safeguarding the interest of the Unit Holders, to institute or defend any suit, proceeding, arbitration or inquiry or any corporate or shareholders' action in respect of the Fund Property or any part thereof.~~

**1 Amended on December 14, 2010**

The Management Company appoint with the consent of the trustee, at the establishment of a scheme and upon any vacancy, an auditor who shall be a Chartered Accountant and independent of the auditor of the Management Company and the Trustee and such auditor shall not be appointed for more than three consecutive years and contents of the auditor's report shall be in accordance with the Rules.

**3.3 Trustee**

**Central Depository Company of Pakistan Limited (CDC),** a company incorporated under the Companies Ordinance 1984, with its registered office at CDC House, 99-B, Block 'B', S.M.C.H.S., Main Shahra-e-Faisal, Karachi, Pakistan has been appointed as the Trustee for the Fund. The Trustee has considerable amount of experience of trusteeship of open-ended Schemes which are successfully functioning in the country.

**Basic Role of the Trustee**

[1]Trustee shall not invest in the Units of the Fund. The Trustee shall ensure that the investment and borrowing limitations set out in the Constitutive Documents pursuant to the Regulations and the conditions under which the Scheme was authorized are complied with. The Trustee shall ensure that the investment and borrowing limitations set out in the Constitutive Documents pursuant to the Regulations and the conditions under which the Scheme was authorized are complied with. The Trustee shall ensure that Units are not issued until subscription money has been received in the Fund. The Trustee shall ensure that the Management Company has specified criteria in writing to provide for a diverse panel of brokers at the time of offering of the Fund and shall also ensure that the Management Company has been diligent in appointing brokers to avoid undue concentration of business with any broker. The Trustee shall immediately inform the SECP if any action of the Management Company contravenes the Ordinance, Rules, Regulations, Constitutive Documents, guidelines, codes, circulars, directives or any other applicable laws. The Trustee shall comply with the directions of the SECP given in the interest of the Unit Holders.

The Trustee will take into custody and/or hold under its control all the property of the Fund in trust for the Unit Holders. The cash and registrable assets shall be deposited or registered in the name of or to the order of the Trustee. The Trustee will carry out the instructions of the Management Company in all matters including investment and disposition of the Fund Property, unless they are in conflict with the Deed, the Rules and the Offering Document or applicable laws. The Trustee shall also ensure that all issues and cancellations of Units of the Fund and the method adopted by the Management Company in valuing Units for the purposes of determining the Purchase and Redemption Prices are carried out in accordance with the provisions of the Deed and the Rules. The Trustee shall issue a report to the Unit Holders to be included in the annual report, as to whether in its opinion, the Management Company has in all material respects managed the Fund Property in accordance with the provisions of the Rules and the Deed and if the Management Company has not done so, the respect in which it has not done so and the steps the Trustee has taken in respect thereof.

The Trustee shall, if requested by the Management Company or if it considers necessary for the protection of the Fund Property or safeguarding the interest of the Unit Holders, institute or defend any suit, proceedings, arbitration or inquiry or any corporate or shareholders action in respect of the Fund Property or any part thereof if so requested in writing by the Management Company. It is clarified that the Trustee shall be entitled to be reimbursed, out of the Fund Property, for all reasonable costs and expenses incurred in taking the aforesaid action(s). The

**1 Amended on December 14, 2010**

Trustee shall be responsible for all acts and omissions of all persons or agents to whom it may delegate the performance of its duties, as if these were its own acts and omissions and shall account for any loss in value of the Fund Property where such loss has been caused by gross negligence or breach of its duties in connection with the Trust under the Trust Deed or the Rules or any reckless or willful act and/or omission of the Trustee or any of its Directors, Officers, Nominees or Agents. The Trustee shall, however, not be under any liability on account of anything done in good faith in accordance with or in pursuance of any request of the Management Company provided they are not in conflict with the provisions of the Deed or the Rules.

The Trustee shall have all the obligations entrusted to it under the Rules, the Deed and the Offering Document.

**3.4 Core Investors**

| Name | Number of Units | Rupees |
|---|---|---|
| National Bank of Pakistan | 7,500,000 | 75,000,000 |
| NIB Bank Limited | 7,500,000 | 75,000,000 |
| Alexandra Fund Management Pte. Ltd | 10,000,000 | 100,000,000 |
| **Total** | **25,000,000** | **250,000,000** |

The above core investors have subscribed an aggregate sum of Rs. 250,000,000 towards the purchase of 25,000,000 Core Units of Rs.10 each. These Core Units are not redeemable for a period of first two years from the date of the closure Initial Offer Period. However, these Units are transferable with the condition the Units may not be redeemable before the expiry of the period of first two years mentioned herein. The Transfer Agent will mark the Unit as such. Any transfer of these Core Units, during the first two years of their issue, shall be affected only on the receipt by the Transfer Agent of a written acceptance of this condition by the transferee.

The above Core Investors plus the Pre-IPO Investors will be eligible to any bank interest / mark-up earned on their investment from the date the funds are credited in the Fund Account till the day before opening of Initial Period (i.e. till January 14, 2007). The purpose of this is to ensure that all Unit Holders (Core Investors, Pre-IPO Investors and IPO investors) are treated at par as far as their investment into the Fund is concerned.

**3.5 Transfer Agent**

The Management Company will perform duties as the Transfer Agent of the Fund until any further notice and intimation to the Trustee. The Management Company will be responsible for maintaining the Unit Holder's Register, preparing and issuing account statements, Unit Certificates and dividend warrants/advice and providing related services to the Unit Holders.

**3.6 Custodian**

The Central Depository Company of Pakistan Limited (CDC) will also be performing the functions of the custodian of the Fund property. The salient features of the custodial function are:

i. Segregating all property of the Fund from Custodian's own property and that of its other clients.
ii. Assuring the smooth inflow/outflow of dematerialized securities and such other instruments as required.
iii. Ensuring that the benefits due on investments are received and credited to the Fund's account.

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

**3.7 Distributors/ Facilitators/Sales Agent**

**3.7.1** Parties detailed in Annexure C of this Offering Document have each been appointed as Distributors to perform the Distribution Functions at their Authorized Branches. The addresses of these branches are given in Annexure C of this Offering Document; these branches may be increased or decreased by the Management Company from time to time. The Management Company may from time to time, appoint additional Distributors or terminate the arrangement with any Distributor and intimate the Trustee accordingly. The Management Company may itself perform the functions of a Distributor either directly or through sub-distributors.

**3.7.2** The Distributors will be responsible for receiving applications for Purchase of Units and Redemption/Transfer applications. They will be interfacing with and providing service to Unit Holders, including receiving applications for change of address and other particulars or application for issuance of duplicate certificates, requests for income tax exemption/Zakat exemption, etc. for immediate transmission to the Management Company or Transfer Agent as appropriate for further action. The Management Company shall remunerate the Distributors out of its resources and or from ~~Sales~~ Front-end Load

**3.7.3** The Management Company may, at its sole responsibility, from time to time, appoint Investment Facilitators (Facilitators)/Sales Agents. The Facilitators'/Sales Agent's function is to identify, solicit and assist investors in investing in the Fund. The Management Company shall remunerate the Facilitators/Sales Agents out of its resources and or from ~~Sales~~ Front-end Load

**3.7.3** [1] *The Management Company shall designate and disclose the location of its official points for acceptance of applications for issuance, redemption, conversion, etc of units in the Offering Document of the Scheme and its website. The Management Company shall receive the said applications only at such designated points. The Management Company shall ensure that all the designated points for acceptance of applications for issuance, redemption, conversion, etc of units of the Scheme have appropriate date and time stamping mechanism for timely acknowledgement of the said applications*

**3.8 Auditors**

**A.F. Ferguson & Co.**
**Chartered Accountants**
***(A member firm of PriceWaterHouseCoopers)***
State Life Building No. 1-C
I.I.Chundrigar Road, P.O.Box 4716 Karachi-74000,
Pakistan

**3.8.1** They will hold office until the transmission of the reports and accounts, which will cover the period from commencement of the Trust up to Accounting Period and will be eligible for reappointment by the Management Company with the concurrence of the Trustee. However, *the* Management Company shall appoint, with the consent of the Trustee, [1] the Auditor of the Fund as per requirements of Regulations, or as per guidelines issued by SECP. The Management Company may at any time remove the Auditor and appoint another Auditor in its place. The same firm of chartered accountants cannot be appointed Auditor for more than five consecutive years, unless otherwise permitted by SECP Thereafter, the Auditors shall only be eligible for appointment after the lapse of one year ~~an auditor may be reappointed for up to three consecutive terms or such other terms as stipulated by the Rules and/or the Ordinance, as amended from time to time. Thereafter, that auditor may only be appointed after a break in appointment.~~

**3.8.2** The Auditors shall have access to the books, papers, accounts and vouchers of the Trust, whether kept at the office of the Management Company, Trustee, Custodian, Transfer Agent or elsewhere and shall be entitled to require from the Management Company, Trustee and their Directors, Officers and Agents such information and explanations as considered necessary for the performance of audit.

**3.8.3** The Trustee shall be entitled to require the Auditors to provide such further reports as may be agreed between the Trustee and the Management Company as may be considered necessary to facilitate the Trustee in issuing the certification required under the Rules or [1] Regulations.

**1 Amended on December 14, 2010**

**3.8.4** The Auditors shall prepare a written report to the Unit Holders on the accounts and books of accounts of the Trust and the balance sheet and income and expenditure account and on every other document forming part of the balance sheet and income and expenditure account, including notes, statements or schedules appended thereto.

**3.8.5** The contents of the Auditors report shall be as mentioned in the Rules or Regulations.[1]

**3.9 Legal Advisors**

**Aly Shah & Co.**
**Advocate & Legal Consultants,**
Suite # 502, 5th Floor, Marine Pride, BC-2, Block -7,
Khayaban -e - Iqbal, Clifton
Karachi, Pakistan

**3.10 Bankers**

National Bank of Pakistan
NIB Bank Limited
United Bank Limited
Habib Bank Limited
Bank Al Habib Limited
Bank Al Falah Limited
Soneri Bank Limited
KASB Bank Limited
My Bank Limited
Allied Bank Limited
Muslim Commercial Bank Limited
Saudi Pak Bank Limited
Askari Commercial Bank Limited
PICIC Commercial Bank Limited

In addition, the Management Company may appoint any other Bank. The Trustee shall operate the account on instruction from the Management Company.

**3.10.1 Bank Accounts**

1. The Trustee, at the request of the Management Company, shall open Bank Account(s) titled **"CDC-Trustee NAFA Stock Fund"** for the Unit Trust at designated Bank(s) at Karachi and other specified cities for collection, investment, redemption or any other use of the Trust's funds.

2. The Trustee shall also open additional Bank Account(s) titled **"CDC-Trustee NAFA Stock Fund"** at various branches of such other Bank(s) as requested by the Management Company. These accounts shall be temporary collection accounts where collections shall be held prior to their being transferred to the main Bank Account of the Trust on a daily basis.

3. The Trustee shall open additional Bank Account(s) titled **"CDC-Trustee NAFA Stock Fund"** at such branches of Banks and at such locations (including outside Pakistan, subject to applicable regulations and after obtaining all necessary approvals from the relevant regulatory authority in Pakistan) as may be reasonably required by the Management Company from time to time. Such accounts shall be used as collection and

redemption accounts. There shall be instructions for all such collection and redemption accounts to promptly transfer the funds collected therein to the main Bank Account and/or transfer the funds to the relevant bank accounts of the Unit Holder for redemption purposes.

4. The Management Company may require the Trustee to open separate Bank Accounts for the Unit Trust to facilitate investments on account of the Trust and the receipt, tracking and reconciliation of income or other receipts relating to the investments. This account may also be used to facilitate redemptions and other Trust related (ancillary) transactions.

5. The Management Company may also require the Trustee to open a separate Bank Account for each dividend distribution out of the Unit Trust. Notwithstanding anything in the Deed, the beneficial ownership of the balances in the Accounts shall vest in the Unit Holders.

6. All bank charges for opening and maintaining Bank Accounts for the Trust shall be charged to the Fund.

7. All interest, income, profit etc. earned in the Distribution Account(s), including those accruing on unclaimed dividends, shall form part of the Fund Property for the benefit of the Unit Holders and shall be transferred periodically from the Distribution Account(s) to the main Bank Account of the Trust.

8. The amounts received from the Core Investors (Seed Capital) and Private Placement Investors (Pre-IPO) (as per Clause 4.1 below) shall be deposited in a separate Bank Account and transferred to the main Bank Account of the Fund upon the close of the Initial Period. Income, profit, interest etc. earned on the investments by the Core Investors and Private Placement Investors till the day before opening of Initial Period (i.e. till January 14, 2007) shall be paid to the Core Investors and Private Placement Investors and shall not form part of the Fund Property.

9. [1] *Notwithstanding anything in this Offering Document and Deed, the beneficial ownership of the balances in the Bank Accounts shall vest in the Unit Holders of the respective Unit Trusts*

10[2]. The Trustee shall, if requested by the Management Company at its discretion also open a separate Account titled CDC – Trustee NAFA Funds at bank(s) designated by the Management Company. These account(s) may be used for the purpose of collection of sale proceeds, where collections received on account of subscription of Units by investors of various unit trusts and the administrative plans that are managed by NAFA as the management company shall be held prior to their being allocated and transferred to pertinent unit trust(s). Such account(s) may also be used for temporary parking for the purpose of redemption. Provided however, in relation to the other unit trusts managed by NAFA as the Management Company mentioned above, there are similar provisions in the trust deeds of such funds and have Trustee as common between them. [1] ~~*The Trustee shall, if requested by the Management Company at its discretion also open a separate Account titled CDC – Trustee NAFA Funds at bank(s) designated by the Management Company. These account(s) shall be temporary collection accounts, where collections received on account of subscription of Units by investors of various unit trusts and the administrative plans that are managed by NAFA as the management company shall be held prior to their being allocated and transferred to pertinent unit trust(s). Provided however, in relation to the other unit trusts managed by NAFA as the Management Company mentioned above, there are similar provisions in the trust deeds of such funds and have Trustee as common between them.*~~

## 4. CHARACTERISTICS OF UNITS

### 4.1 Classes of Units

(i) Class "A" (Restricted/Core Units) issued to the Core Investors with no Sales Load. These Units cannot be redeemed for a period of two (2) years from the date of closure of Initial offer. However, such Units are transferable.

(ii) Class "A" Units being offered and issued during the Private Placement and Initial Offer of Period (IPO) with no ~~Sales~~ Front –end[1] Load.

(iii) Class "B" Units, which shall be offered and issued after the Initial Period of Offer.

### 4.2 Types of Units

4.2.1 An investor at the time of opening an account shall select the type(s) of Unit(s) in which investor wishes to invest in, namely Growth Unit and/ or Income Unit.

**1 Amended on December 14, 2010 2 Amended on May 27, 2011**

4.2.2 The Management Company may from time to time amend the minimum amount of initial investment that is required to open and maintain an account with the Transfer Agent. At the Initial Offer and later on, the minimum amount of investment to open and maintain an account is Rs. 10,000 Growth Units and Rs. 100,000 for Income Units. The Management Company reserves the right to alter the minimum amounts stated hereinabove. In the event the investment in any investor's account falls below the minimum level as a result of revised limits, changes in valuation, redemption, transfer or transmission, the Management Company may instruct the Transfer Agent under intimation to Unit Holders to close such account by redeeming the Units in such accounts at the close of any accounting period at the price applicable to redemptions on such date. For Income Units, in case the amount falls below Rs. 50,000, funds may be transferred to Growth Units.

Following the minimum initial investment, Unit Holders of NAFA Stock Fund may add a minimum of Rs. 1,000 per transaction at their convenience. Units of NSF (including fraction thereof) shall be issued against the amount received from the Unit Holders in accordance with the procedure laid down in this Offering Document. The Management Company may alter the minimum amount required for opening, maintaining or adding to the account. Provided an upward change for maintaining the account or adding funds the Management Company shall give seven days notice to Unit Holders.

(i) **Growth Units:** The Unit value grows in line with the growth in the NAV, and the Unit Holders shall have the option to receive distribution income in the form of cash or bonus units.

(ii) **Income Units:** The Unit Holders, based on their own consent & instructions and with prior intimation to the Management Company, exercise the option of redeeming a certain number of Units for fulfilling their requirement of a certain cash amount at Regular Intervals (i.e. monthly, quarterly, semi-annually and annually). Such instructions shall be given in writing at the beginning of each regular interval or at the time of purchase of Units.

4.2.3 The Management Company shall, on the 25th of every Regular Interval [1] or as determined by the Management Company, calculate the redemption value to be paid to the Income Unit Holder(s) based on the Redemption Price of that day.

4.2.4 Depending upon the instructions given by the Income-Unit Holders, the Income Units are further classified into two types:

(a) **Flexible Income Units -** The Flexible Income Unit Holders at the time of purchase or beginning of an interval authorize the Management Company to decide the quantum of part redemption of their unit holdings at the end of every regular interval based on the performance (NAV growth) of the Fund during that regular interval.

The amount of redemption value so derived shall be transferred to designated bank account by way of transfer of funds to the designated bankers within six (6) working days of the redemption without recovering any Back End Load.

(b) **Fixed Income Units -** The Fixed Income Unit Holders at the time of purchase or beginning of an interval specify a fixed cash amount required by them at regular intervals, and authorize the Management Company to redeem (at the prevailing NAV) such number of units from their holding that in rupee terms is equivalent to the specified fixed amount required at the end of every regular interval.

The amount of redemption value so derived shall be transferred to designated bank account by way of transfer of funds to the designated bankers within six (6) working days of the redemption. As a result of operation of this Clause, the capital invested may deplete in case sufficient returns are not earned to cover the amount of Relevant Interval payment required by the Unit Holder.

**1 Amended on December 14, 2010**

4.2.5 The Transfer Agent shall send an account statement to the Unit Holder each time there is an activity in the account. Such statements or report shall be sent by electronic means or ordinary mail to the Unit Holder's address recorded in the register.

4.2.6 In case the Management Company announces a suspension of further issue of Units of NSF, it may allow existing Unit Holder to continue acquiring Units out of any dividend declared on Units held under this option.

4.2.7 The Unit Holder may withdraw funds from the option at any stage by filling out and lodging the prescribed form to the Distributor/Investment Facilitator. However, in the event the principal value of the account goes below the prescribed amount as a result of loss in valuation or as a result of application of Clauses 4.2.4(a) & 4.2.4(b) above, the minimum value requirement as stated herein above shall not apply to that extent. In such an event, the Unit Holder is free to discontinue the option or convert the remaining Units into Growth Units.

4.2.8 Certificates representing Units purchased under the Income Units shall not be issued. However, the Transfer Agent shall send directly to each Unit Holder an account statement each time there is a transaction in the account.

4.2.9 All Units and fractions thereof (up to four or more decimal places) represent an undivided share in the Scheme and rank pari passu as to their rights in the net assets, earnings, and the receipt of the dividends and distributions. Each Unit Holder has a beneficial interest in NSF proportionate to the Units held by such Unit Holder. However, while maintaining the integrity of each Unit's pari passu rights, for the convenience of investors, the Management Company issue Units with different options for different arrangements as chosen by the investor from time to time.

4.2.10 Unit Holders may obtain certificates representing the Growth Units they hold by paying a nominal fee of Rs. 25/- per certificate, subject to revision from time to time by the Management Company. Requests for redemption, transfer or transmission of Units shall be processed only on the production of the certificate(s) if issued earlier. In the event of loss or defacing of certificates, the process shall be carried out subject to appropriate safeguards to the satisfaction of the Management Company / Trustee / Transfer Agent and the associated cost if any will be borne by the Unit Holder.

4.2.11 Registration of Pledge / Lien - The Transfer Agent may register a pledge / lien on any Units in favor of any third party with the specific authority of the Management Company. However, the pledge / lien shall be valid only if evidenced by a statement or letter issued by the Transfer Agent indicating the Units marked in favor of the Pledgee. The onus for due process having been followed in registering a lien shall lie with the party claiming the lien. (Please see Clause 4.7 for details).

**4.3 Purchase and Redemption of Units**

(a) Units are purchased at the Offer Price and redeemed at the Redemption Price at any of the Authorized Distribution Offices on any Business Day, which will be from Monday to Friday of each week in accordance with the procedure set out in Clauses 4.4 and 4.5 of this Offering Document.

(b) During the period the register is closed, as mentioned in Clauses 4.8 and 5.8 of this Offering Document, the sale and redemption of Units will be suspended.

(c) The Management Company may decline to issue of Units to any applicant, if it is of the opinion that it will not be possible to invest substantial inflow of fund or to meet any regulatory requirements.

**4.4 Procedure for Purchase of Units**

**4.4.1 Who Can Apply?**

Any investor or any related group of investors qualified or authorized to purchase the Units may make applications for the Purchase of Units in the Fund. The onus for being so qualified lies with the investor and neither the Management Company, nor the Trustee, nor the Transfer Agent nor the Distributors nor the Investment Facilitators accept any responsibility in this regard. Application may be made pursuant to the procedures described in paragraph 4.4.2 below by including but not limited to:

- Citizens of Pakistan resident in Pakistan: In respect of minors below 18 years of age applications may only be made by their guardians.

- Companies, corporate bodies, financial institutions, banks, partners of a firm and societies incorporated in Pakistan provided such investment is permitted under their respective memorandum and articles of association and / or bye-laws.

- Pakistanis resident abroad, foreign nationals and companies incorporated outside Pakistan can apply for Units subject to the regulations of the State Bank of Pakistan and the Government of Pakistan and any such regulations and laws that may apply to their place of residence, domicile and citizenship. The payment of dividends and redemption proceeds to such investors shall be subject to the relevant taxation and exchange regulations / laws. Any person making an application for the Purchase of Units in the Fund shall warrant that he/she is duly authorized to purchase such Units.

- Provident Funds constituted by companies registered under the Companies Ordinance, 1984, subject to conditions and investment limits as laid down in Employees Provident Fund (Investment in Listed Securities) Rules, 1996, as amended from time to time, including by SROs.

- Provident, Pension and Gratuity Funds constituted by organizations other than companies under Section 20 (h) of the Trusts Act 1882, (11 of 1882).

- Insurance companies under the Insurance Ordinance, 2000.

- Non Profit Organization under Section 213 (i) of the Income Tax Rules, 2002.

**4.4.2 Account Opening Application Procedure**

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

A. Before purchasing Units of the Fund an investor must open an account with Management Company using the Account Opening Form (NAFA 01) attached to this Offering Document.

B. Once the Investor Account has been opened, the Investor will be allotted a specific Registration/ Folio Number/NAFA Account No. which can be used for all future transactions to facilitate reference and linking.

C. After opening an account, Unit Holder may purchase Units of the Fund using the Investment Form (NAFA 02) attached to this Offering Document.

D. Fully completed Investment Form for purchase of Units, accompanied with the full amount for the investment and copies of the documents mentioned in the subparagraphs below should be delivered at any of the Authorized Branches of the Distribution Companies or may be submitted to the Management Company through an Investment Facilitator during the business hours on each Business Day as announced by the Management Company from time to time. Currently only the Authorized Branches of the Distribution Companies as mentioned in Annexure "C" of this Offering Document are authorized to collect application and payment for the issue of Units as laid down in Clause 4.4.4 of this Offering Document.

E. In case of individuals, a photocopy of the Computerized National Identity Card (CNIC) of the applicant or any other form of identification acceptable to the Management Company, need to be furnished.

F. In case of body corporate or a registered society, institutions, corporates, trusts attested copies of the following document may be submitted:

i. Investor's name
ii. List of Authorized Signatories along with copies of CNIC and their specimen signatures.
iii. Instructions for Redemption.
iv. Bank details.
v. Instructions for Dividend mandate, Zakat and Tax status.
vi. Memorandum and Articles/ charter / bye-laws or rules and regulation.
vii. Power of attorney and / or relevant resolutions of the board of directors delegating any of its officers to invest in the fund and / or to realize the investments and
viii. Other relevant documents as may be required by the Transfer Agent.

G. In case of existing Unit Holders, if any of the documents have previously been deposited with the Management Company and /or Transfer Agent., fresh submission of documents will not be required, provided that deposited documents are acceptable to Management Company. However, the account number must be provided to facilitate linking.

H. The applicant will receive a note confirming the receipt of the Investment Form from Authorized Officer of the Distributor or Management Company. Payment of Units can be made by cheque, pay order, demand draft as so desired.

I. The Distribution Company and /or Management Company will be entitled to verify the particulars given in the Account Opening Form and Investment Form. In case of any incorrect information the application may be rejected if the applicant fails to rectify the discrepancy.

J. If subsequent to receipt of the application by the Distributor, but prior to issue of the Units, the application is found by the Transfer Agent or the Distributor to be incomplete or incorrect in any material manner, the Transfer Agent or the Distributor will advise the applicant to remove the discrepancy; in the mean while the application will be held in abeyance for fifteen days. In the event the discrepancy is not removed in the said fifteen days, the amount will be refunded without any markup.

K. However, in the event Units have been issued and a material discrepancy is discovered subsequent to that, the Transfer Agent or the Distributor will advise the applicant in writing to remove the discrepancy within fifteen days. If the investor, in the opinion of the Transfer Agent, fails to remove the discrepancy without good cause, the Units shall be redeemed at the Redemption Price fixed on the date the Units are so redeemed. The Unit Holder shall not be entitled to any payment beyond the redemption value so determined.

L. Investors will be allotted Units based on the Offer (Purchase) Price of the Fund, as announced by the Management Company, of the day on which correctly filled Investment Form is submitted to the Distributor (please refer to Clause 3.7 above) and / or Management Company within the business hours on the Business Day as may be prescribed by the Management Company from time to time. However, the Investor will be provided the account statement within seven (7) Business Days after the said purchase amount of the Units purchased have been credited to the Fund Account.

In the event a cheque is returned unpaid, the Management Company will assume the application for subscription as void and the Units allotted will be cancelled and the investor informed accordingly. The investor will be asked to submit fresh payment for the said Units which will then be allotted Units based on the Offer (Purchase) Price announced by the Management Company on the day the said new Investment Form together with the payment is received by the Distributor and / or Management Company on the Business Day within the business hours as may be prescribed by the Management Company from time to time.

**4.4.3 Joint Application**

A. Joint application can be made by up to four applicants. Such persons shall be deemed to hold Units on first holder basis; however, each person must sign the Account Opening Form and submit a copy of their Computerized National Identity Card or other identification document.

B. The first named Holder shall receive all notices and correspondence with respect to the account, as well as proceeds of any redemption, or dividend payments. Such person's receipt or payment into the person's designated bank account shall be considered as a valid discharge by the Trustee of its obligation.

C. In the event of death of the first Holder, the person first in the order of survivor(s) as stated in the Account Opening Form, shall be the only person recognized by the Trustee to receive all notices and correspondences with regards to the accounts, as well as proceeds of any redemption requests or dividend. Such person's acknowledgement of receipt of proceeds shall be considered as the valid discharge by the Trustee of its obligations.

Provided however the Trustee and/or the Management Company may at their discretion request the production of a Succession Certificate from an appropriate Court before releasing of redemption requests or dividends in cases of doubts or disputes among the Joint Unit Holders and/or the legal heirs or legal representatives of the deceased.

**4.4.4 Purchase of Units**

An application for purchase of Units may be lodged with any authorized Distributor or presented to the Management Company or through an Investment Facilitator. The application shall be in the form prescribed by the Management Company. Account Opening Forms/Investment Forms are available with Distributors or Investment Facilitators (Facilitators) or may be obtained from the Management Company or its web site. Units shall be issued based on the Purchase (Offer) Price that is determined as per Clause 4.10.3.

Payment for the Fund Units can be made in the form of:

- Demand draft or Pay order in favor of **CDC-Trustee NAFA Stock Fund**
- Online transfer of money
- Cheque (account payee only marked in favor of **CDC-Trustee NAFA Stock Fund**)

The Management Company may also notify from time to time, arrangements or other forms of payment within such limits and restrictions considered fit by it.

The aforesaid payments must be handed over to a Distributor and / or Investment Facilitator who will acknowledge the receipt on the Investment Form. Such payments must only be deposited in the bank account of the Fund titled **"CDC - Trustee NAFA Stock Fund"** maintained with the designated banks and their branches.

Notwithstanding the above, nothing contained herein shall be construed as limiting or otherwise restricting the Management Company's liability under Rule 65 of the Rules.

### 4.5 Procedure for Redemption of Units

#### 4.5.1 Who Can Apply?

All Unit Holders, other than the holders of Class "A" (Restricted/Core Units) Units are eligible to redeem the said Units. Holders of Class "A" Units will be eligible for redemption after the expiry of the period of two years from the date of the closure of the Initial Period; however such units are eligible for transfer subject to the condition that the new transferee of such unit(s) agrees to the same for the balance period, if any.

#### 4.5.2 Redemption Application Procedure

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

**A.** Request for redemption can be made by completing the prescribed Redemption Form (NAFA 03) and endorsing the relevant Certificate, if issued and submitting the same to any of the Authorized Branches of the Distribution Companies or to the Management Company or through an Investment Facilitator within business hours on the Business Day as announced by the Management Company from time to time. In case the Certificate is not issued, the applicant has only to complete the prescribed redemption form. The request for redemption would be honored after verifying the signature and other particulars of the Unit Holder from the Register.

**B.** The Unit Holder will receive a note confirming the receipt of the application for redemption from the relevant Distribution Office.

**C.** The Distribution Company and /or Management Company will be entitled to verify the particulars given in the Redemption Form. In case of any incorrect information the application may be rejected if the applicant does not rectify the discrepancy.

**D.** If subsequent to receipt of the application by the Distributor, but prior to the redemption of the Units, the application is found by the Transfer Agent or the Distributor to be incomplete or incorrect in any material manner, the Transfer Agent or the Distributor will advise the applicant to remove the discrepancy; in the meanwhile the application will be held in abeyance for fifteen days. In the event the discrepancy is not removed in the said fifteen days, the application for redemption will be cancelled treating the same as null and

void. The Unit Holder will then have to submit a fresh application for Redemption of Units.

**E.** Units will be redeemed on the basis of daily Net Asset Value (NAV) announced as of the close of the Business Day on which a correctly filled Redemption Form is submitted within business hours as announced by the Management Company from time to time.

**F.** Unless otherwise instructed, payment of the redemption proceeds will be made by a cross cheque, in favor of Unit Holder's registered name or first name joint Holder in the event of Joint Holders, and will be sent to registered address of the Unit Holder or first name joint Holder, or if so authorized by all the joint holders, at the address of the Joint Holder who has signed the redemption form as provided, within six (6) Business Days of the receipt of a properly documented request for redemption of Units. However, if so authorized by the Unit Holder, payment of redemption proceeds will be made by transfer to the bank account number of the Unit Holder or first- named joint holder in the event of joint Holder. No money shall be paid to any intermediary except the Unit Holder /joint Holder or his /their authorized representatives.

**G.** In case the investor has requested encashment of bonus Units then such bonus Units will be redeemed at the ex-dividend Net Asset Value of June 30 of the relevant Accounting Period

**H.** Redemption of Fund Units may be suspended or put in queue due to exceptional circumstances. For detailed information about this please refer to Clause 4.8.2 and Clause 4.8.3 below.

**I.** Partial Redemption of Units covered by a single Certificate is not permitted. However, Fund Unit Holders may apply for a splitting of the Certificate before applying for redemption.

**J.** In the event the Units are redeemed by any major Unit Holder in such period of time that the Management Company believes, may adversely affect the interest of other Unit Holder(s), it may charge Contingent Load on such redemption.

**4.5.3 Joint Unit Holder(s)**

Unless the Joint Unit Holder(s) of Units have specified otherwise, all the Joint Unit Holder(s) shall sign the Redemption Form for such Units.

**4.6 Procedure for Requesting Change in Unit Holder Particulars**

**4.6.1 Who Can Request Change?**

All existing Unit Holders or those who have purchased Fund Units as per Clause 4.4 above are eligible to change their Unit Holder details if they so desire. Such change in particulars and requests can be made via the Special Instructions Forms (NAFA 07). These Forms may be obtained from Distributors or Investment Facilitators or from the Management Company or through its web site.

**4.6.2 Application Procedure for Change in Particulars**

**A.** The information submitted at the time of purchase of Units can be changed through the Special Instructions Form.

**B.** Some of the key information which the Unit Holder can change is as follows:

i. Change in address

ii. Joint Holder details
iii. Nominee details

**C.** The Unit Holder can also issue the following instructions:
i. Change in Bank Account details
ii. Account Operating instructions
iii. Frequency of profit payments

**D.** Fully completed Special Instructions Form has to be submitted by both Individuals and/or Institutional Investor(s). This Form should be delivered to any of the Authorized Branches of the Distribution Companies or may be submitted to the Management Company through an Investment Facilitator within business hours on the Business Day as announced by the Management Company from time to time.

**E.** The applicant must obtain a copy of the Special Instructions Form signed and duly verified by an Authorized Officer of the Distributor or Management Company if the Form is given to an Investment Facilitator. Notwithstanding the above, nothing contained herein shall be construed as limiting or otherwise restricting the Management Company's liability under Rule 65 of the Rules.

**F.** The Distribution Company and /or Management Company will be entitled to verify the particulars given in the Special Instructions Form. In case of any incorrect information the application may be rejected if the applicant does not rectify the discrepancy.

**G.** The Unit Holder will be liable for any taxes, charges or duties that may be levied on any of the above changes that the Unit Holder may request via the Special Instructions Form. These taxes, charges or duties may either be recovered by redemption of Unit Holder equivalent Units at the time of the service request or the Management Company may require separate payment for such services.

**4.6.3 Joint Unit Holder(s)**

Unless the Joint Unit Holder(s) of Units have specified otherwise, all the Joint Unit Holder(s) shall sign the Special Instructions Form for such Units.

**4.6.4 Partial Transfer**

Partial transfer of Units covered by a single Certificate is permitted. Provided that in case of physical certificates issued, the Unit Holder must apply for splitting of the unit certificate representing the partial amount and then the new certificate shall be applied for transfer.

**4.7 Procedure for Pledge / Lien / Charge of Units**

**4.7.1 Who Can Apply?**

All existing Unit Holders or those who have purchased Fund Units as per Clause 4.4 above are eligible to apply for pledge / lien / charge of Units if they so desire. Such Pledge / Lien / Charge can be made via the Pledge of Units Form as attached in Annexure "D" of this Offering Document. These forms may be obtained from Distributors or Investment Facilitators or from the Management Company or through its web site.

**4.7.2** Any Unit Holder and / or Joint Unit Holder(s) may request the Transfer Agent to record a pledge / lien of all or any of his / her Units in favor of any third party legally entitled to invest in such Units in its own right. The Transfer Agent shall register a lien on any Units in favor of any third party with the consent of the Management Company under intimation to the Trustee[1]. However, the lien shall be valid only if evidenced by an account statement or letter issued by the Transfer Agent with the Units marked in favor of the Pledgee. The onus for due process having been followed in registering a lien shall lie with the party claiming the lien.

**1 Amended on December 14, 2010**

**4.7.3** The lien once registered shall be removed by the authority of the party in whose favor the lien has been registered or through an order of a competent court. Neither the Trustee, nor the Management Company, nor the Transfer Agent, shall be liable for ensuring the validity of any such pledge / charge / lien. The disbursement of any loan or undertaking of any obligation against the constitution of such pledge/charge/lien by any party shall be at the entire discretion of such party and neither the Trustee nor the Management Company and the Transfer Agent shall take any responsibility in this matter.

**4.7.4** Payments of dividends or the issue of bonus Units and redemption proceeds of the Units or any benefits arising from the said Units that are kept under lien /charge / pledge shall be paid to the order of the lien / charge / pledge holder's bank account or posted to the registered address mentioned in the Pledge Form and/or Account Opening Form submitted.

**4.7.5** The Distribution Company and /or Management Company will be entitled to verify the particulars given in the Pledge Form. In case of any incorrect information the application may be rejected if the applicant does not rectify the discrepancy.

**4.7.6** Fully completed Pledge of Units Form has to be submitted by both Individuals and/or Institutional Unit Holders. This Form should be delivered to any of the Authorized Branches of the Distribution Companies or may be submitted to the Management Company through an Investment Facilitator within business hours on the Business Day as announced by the Management Company from time to time.

**4.7.7** All risks and rewards, including the right to redeem such units and operate such account, shall vest with the pledge / lien / charge holder. This will remain the case until such time as the pledge / lien / charge holder in writing to the Management Company instructs otherwise.

**4.8 Suspension of Dealing, Queue System and Winding Up**

Under the circumstances mentioned in Clause 4.9 below, the Management Company may request the Trustee to approve a temporary change in the method of dealing in Units. Such approval shall not be unreasonably withheld.

**4.8.1 Suspension of Fresh Issue of Units**

The Management Company may at any time suspend issue of fresh Units. The Management Company shall announce the details of exemptions at the time a suspension of fresh issue of units is announced. Such suspension may however not affect existing Unit Holders, the issue of bonus Units as a result of profit distribution or the option to receive dividends in the form of additional Units. The Management Company shall immediately notify the SECP if fresh issue of Units is suspended and shall also have the fact published, immediately following such decision, in the newspapers in which the Fund's prices are normally published.

In case of suspension of redemption of units of the Scheme in terms of Constitutive Documents of the Scheme or as per Regulations, the issuance of fresh units shall also be kept suspended until and unless redemption of units is resumed.[1]

**4.8.2 Suspension of Redemption of Units**

In the event of extraordinary circumstances as mentioned in Clause 4.9 of this Offering Document, the Management Company may suspend or defer redemption of Units. The circumstances under which the Management Company may suspend redemption shall be the event of war (declared or otherwise), natural disasters, a major break down in law and order, breakdown of the communication system, terrorist threat and / or activities, closure of the capital markets and /or the banking system or strikes or other events that render the Management Company, Transfer Agent, Trustee or the Distributors unable to function or any other conditions mentioned in the Rules.

*Suspension of redemption shall be provided in exceptional Circumstances, having regard to the interests of unit holders and such a decision shall be made with the prior approval of the board of the Management Company.*[1]

**1 Amended on December 14, 2010**

**4.8.3 Queue System**

In the event redemption requests on any day exceed ten percent (10%) of the Units in issue, the Management Company may invoke a Queue System whereby requests for redemption shall be processed on a first come first served basis for up to ten percent (10%) of the Units in issue. The Management Company shall proceed to sell adequate assets of the Fund and / or arrange borrowing as it deems fit in the best interest of all Unit Holders and shall determine the redemption price to be applied to the redemption requests based on such action. Where it is not practical to determine the chronological ranking of any requests in comparison to others received on the same Business Day, such requests shall be processed on basis proportionate to the size of the requests. The requests in excess of ten percent (10%) shall be treated as redemption requests qualifying for being processed on the next Business Day at the price to be determined for such redemption requests. However, if the carried over requests and the fresh requests received on the next Business Day still exceed ten percent (10%) of the Units in issue, these shall once again be treated on first come first served basis and the process for generating liquidity and determining the redemption price shall be repeated and such procedure shall continue till such time the outstanding redemption requests come down to a level below ten percent (10%) of the Units then in issue.

**4.8.4 Winding up in view of Major Redemptions**

In the event the Management Company is of the view that the quantum of redemption requests that have built up are likely to result in the Fund being run down to an unsustainable level or it is of the view that the sell off of assets is likely to result in a significant loss in value for the Unit Holders who are not redeeming, it may announce winding up of the Fund. In such an event, the Queue System, if already invoked, shall cease to apply and all Unit Holders shall be paid after selling the assets and determining the final Redemption Price. However, interim distributions of the proceeds may be made if the Management Company finds it feasible.

**4.9 Issue and redemption of Units in extraordinary circumstances**

The Management Company may, at any stage, suspend the issue (sale) of Units and for such periods as it may so decide. The issue and redemption of Units may be suspended during extraordinary circumstances including closure of one or more Stock Exchange(s) on which any of the Securities invested in by the Fund are listed, the existence of a state of affairs, which in the opinion of the Management Company, constitutes an emergency as a result of which disposal of any investment would not be reasonably practicable or might seriously prejudice the interest of the Fund or of the Unit Holders, or a break down in the means of communication normally employed in determining the price of any investment, or when remittance of money cannot be carried out in reasonable time and if the Management Company is of the view that it would be detrimental to the remaining Unit Holders to redeem Units at a price determined in accordance with the Net Asset Value. The Management Company may announce a suspension or deferral of redemption. Such a measure shall be taken to protect the interest of the Unit Holders in the event of extraordinary circumstances or in the event redemption requests accumulate in excess of ten percent (10%) of the Units in issue. In the event of a large number of redemption requests accumulating, the requests may be processed in a Queue System and under extreme circumstances the Management Company may decide to wind up the Fund. Details of the procedure are given in Clause 4.8 herein above. Such suspension or queue system shall end on the day following the first Business Day on which the conditions giving rise to the suspension or Queue System, shall in the opinion of the Management Company, have ceased to exist and no other condition under which suspension or Queue System is authorized under the Deed exists. In case of suspension and invoking of a Queue System and end of suspension and Queue System, the Management Company shall immediately notify the SECP and publish the same in the newspaper in which the Fund's prices are normally published.

**4.10 Frequency of Valuation, Dealing and Mode of the Price Announcement**

**4.10.1** The valuation of the property method for determining the value of the assets and liabilities and the net asset value would be as mentioned in the Rules and Clauses 14.38 and 14.39 of the Offering Document.

For the Classes of Units and the Initial Period (Purchase) Prices, please refer to Clause 1.6.2 and Clause 1.8 of this Document.

**4.10.2** Subsequent to the Initial Period, the Management Company shall announce the Purchase (Offer) and Redemption (Repurchase) Prices daily, calculated on the basis of the NAV and adjusted for such load, transaction costs, charges and duties as are described herein. The method of calculation shall be cleared to the Trustee's satisfaction that such method is adequate for ensuring accurate calculation of the prices.

**4.10.3** The Net Asset Value as of the close of the Business Day on which completely and correctly filled prescribed application form is received within the business hours as announced by the Management Company from time to time. (in the event there are closed days, for any reason, following that Business Days, the NAV so determined shall be adjusted for the accrual of income or losses if any for such closed days), Transaction Cost, any Front-End Load not exceeding 5% of the Purchase (Offer) Price (Please refer to Annexure "B" for the current level of load) and such amount as the Management Company may consider appropriate provision for Duties and Charges. The Purchase (Offer) Price so determined shall apply to purchase requests, complete in all respects, received by the Distributor and / or Management Company during the business hours on the Business Day on which the Investment Form has been received.[1]

~~The Purchase (Offer) Price shall be equal to the sum of the Net Asset Value (NAV) as of the close of the Business Day (in the event there are closed days, for any reason, following that Business Days, the NAV so determined shall be adjusted for the accrual of income or losses if any for such closed days), Transaction Cost, any Front-End Sales Load (Load) not exceeding 5% of the Purchase (Offer) Price (Please refer to Annexure "B" for the current level of load) and such amount as the Management Company may consider appropriate provision for Duties and Charges. The Purchase (Offer) Price so determined shall apply to purchase requests, complete in all respects, received by the Distributor and / or Management Company during the business hours on the Business Day on which the Investment Form has been received~~.

**4.10.4** After the Initial Period, the Redemption Price shall be equal to the Net Asset Value as of the close of the Business Day on which completely and correctly filled prescribed Redemption Form is received within the business hours as announced by the Management Company from time to time. (in the event there are closed days, for any reason, following that Business Days, the NAV so determined shall be adjusted for the accrual of income or losses if any for such closed days) less Transaction Cost, if any, a Back-End Load not exceeding 5% of the Redemption Price (Please refer to Annexure "B" for the current level of load) and such amount as the Management Company may consider appropriate provision for Duties and Charges. The Redemption Price so determined shall apply to redemption requests, complete in all respects, received by the Distributor and / or Management Company during the business hours on the Business Day on which the Redemption Form has been received. However, the Back-end Load may not be deducted from the NAV for such units that are being converted in another scheme being run by the Management Company.[1]

**1 Amended on December 14, 2010**

~~The Redemption Price shall be equal to the sum of the Net Asset Value (NAV) as of the close of the Business Day (in the event there are closed days, for any reason, following that Business Days, the NAV so determined shall be adjusted for the accrual of income or losses if any for such closed days) less Transaction Cost, if any, a Back-End Sales Load (Load) not exceeding 5% of the Redemption Price (Please refer to Annexure "B" for the current level of load) and such amount as the Management Company may consider appropriate provision for Duties and Charges. The Redemption Price so determined shall apply to redemption requests, complete in all respects, received by the Distributor and / or Management Company during the business hours on the Business Day on which the Redemption Form has been received. However, the Back-end Load may not be deducted from the NAV for such units that are being converted in another scheme being run by the Management Company.~~ [1]

**4.10.5** The Management Company shall, at such frequencies as may be prescribed in this Offering Document or under the Rules or Regulations[1], determine and announce the Net Asset Value based prices of the Units. Under certain circumstances as provided in this Offering Document, the Management Company may suspend the announcement of the prices.

**4.10.6** The Management Company shall publish the Purchase (Offer) and Redemption (Repurchase) Prices in at least one daily newspaper widely circulated in Pakistan.

**4.10.7** The prices determined, as described hereinabove shall be subject to adjustment for any taxes payable in the jurisdiction of the transaction.

4.10.8 *The Management Company shall announce the Net Asset Value (NAV) of the Scheme as per Regulations or direction of SECP.*[1]

**4.11 Purchase (Offer) and Redemption (Repurchase) of Units Outside Pakistan**

**A.** Subject to exchange control and other applicable laws, rules and regulations, in the event of arrangements being made by the Management Company for the Purchase (Offer) of

**1 Amended on December 14, 2010**

Units to persons not residing in Pakistan or for delivery in any country outside Pakistan, the price at which such Units may be issued may, at the discretion of the Management Company, include in addition to the Purchase (Offer) Price as hereinbefore provided a further amount sufficient to cover any exchange risk insurance, any additional stamp duty or taxation whether national, local or otherwise leviable in that country in respect of such issue or of the delivery or issue of Certificates, or any additional costs relating to the delivery of certificates or the remittance of money to Pakistan or any other cost in general incurred in providing this facility.

**B.** In the event that the Redemption Price for Units shall be paid in any country outside Pakistan, the price at which such Units may be redeemed may at the discretion of the Management Company include as a deduction to the Redemption Price as hereinbefore provided a further amount sufficient to cover any exchange risk insurance and any additional stamp duty or taxation whether national, local or otherwise leviable in that country in respect of such payment or redemption or any bank or other charges incurred in arranging the payment or any other cost in general incurred in providing this facility.

**C.** The currency of transaction of the Trust is the Pakistan Rupee and the Management Company, Trustee or any Distributor are not obliged to transact the purchase or redemption of the Units in any other currency and shall not be held liable, save as may be specifically undertaken by the Management Company, for receipt or payment in any other currency or for any obligations arising there from.

**4.12 Transfer, Transmission and Conversion Procedure.**

A. Unit Holder may, subject to the law, transfer any Units held by them to any other account holder. The transfer shall be carried out after the Transfer Agent has been satisfied that all the requisite formalities including the payment of any taxes and duties have been complied with. A Unit shall be transferable only in its entirety.

B. Both the transferor and the transferee must sign every instrument of transfer and the transferor shall be deemed to remain the Holder of the Units transferred until the name of the transferee is entered in the regist er on respect thereof. Every instrument of transfer must be duly completed in all respects including affixation of transfer stamps of the requisite value. Where Certificates have been issued the Trustee may dispense with the production of any Certificates where the Certificates have been lost, destroyed, subject to compliance by the transferor with like requirements to those arising in the case of an application by him for the replacement of thereof as provided in this Offering Document or the Trust Deed. The Transfer Agent shall retain all instruments of transfer.

C. The Transfer Agent, shall with the prior approval of the Management Company and the Trustee, shall be entitled to destroy all instruments of transfer or the copies thereof, as the case may be, which have been registered at any time after the expiration of twelve years from the date of registration thereof and all the Certificates which have been cancelled at any time after the expiration of six years from the date of cancellation thereof and all registers, statements and other records and documents relating to the Trust at any time after the expiration of six years from transmission to the Trust. The Trustee or the Management Company or the Transfer Agent shall be under no liability, whatsoever, in consequence thereof and it shall conclusively be presumed in favor of the Trustee or the Management Company or the Transfer Agent that every Unit of Transfer so destroyed was a valid and effective instrument duly and properly registered by the Trustee or the Management Company or the Transfer Agent and that every Certificate so destroyed was a valid

Certificates duly and properly cancelled, provided always (i) the provision aforesaid shall apply only to the destruction of a document in good faith and without notice of any claim (regardless of the parties thereto) to which the document may be relevant; (ii) nothing in this sub-clause shall be imposing upon the Trustee or the Management Company or the Transfer Agent any liability in respect of the destruction of any document earlier than as aforesaid or in any case where the conditions of proviso (i) above are not fulfilled and (ii) reference herein to the destruction of any document includes reference to the disposal thereof in any manner.

D. Transmission of Units to successors in case of inheritance or distribution of the estate of a deceased Unit Holder shall be processed by the Transfer Agent after satisfying as to all legal requirements. The legal costs and taxes, if any, shall be borne and paid by the transferees. However, the processing fee shall not be payable by successors or the beneficiaries of the estate in the case of transmission. The Management Company shall pay the relevant processing fee to the Transfer Agent.

E. A Unit Holder may convert the Units in a Unit Trust Scheme managed by the Management Company into Units of another Unit Trust Scheme managed by the Management Company. The Transfer Agent shall carry out the conversion after satisfying that all the requisite formalities have been fulfilled and payment of the applicable taxes, fees and/or load, if any, have been received. The Management Company may impose a time limit before which conversion may not be allowed.

F. A Unit Holder may merge the Units when he/she has invested with two folio/registration numbers and wishes to merge both the Units into one registration number/ Folio number/NAFA Account Number. The Transfer Agent shall carry out the merger after satisfying that all the requisite formalities have been completed and payment of applicable taxes and fee, if any, have been received.

G. The sale, redemption and transfer of Units and any other dealings in the Units may be carried out On-line, with the consent of the Trustee (which consent shall not be unreasonably withheld or delayed), to the extent permitted by and in accordance with applicable law.

## 5. DISTRIBUTION POLICY

### 5.1 Distribution Policy

The net amount available for distribution at the end of the financial year (or such interim period as may be decided by the Management Company), shall comprise of the revenues earned by the Fund including the net impact of the revenue collected and paid out in the NAV calculation through Purchase (Offer) and Redemption (Repurchase) of Units, less all expenses incurred or accrued attributable to the Fund.

The Fund may distribute 90% of the amount available for distribution or any other payout ratio as bonus Units or cash dividends in order to avail tax exemption or any other benefits in the interest of the Unit Holder.

According to the types of Unit, Growth Unit Holders and Income Unit Holders are entitled to Cash or Bonus Units.

### 5.2 Declaration of Dividend

[1]The Management Company may also distribute an amount, through cash dividend, bonus, combination of both or in any other form acceptable to the Commission, monthly quarterly and/or for an interim periods. The Board of Directors of the Management Company may delegate the powers for declaring monthly, quarterly or interim dividend of the Fund to the Chief Executive Officer, provided that all other provisions of the NBFC Rules, NBFC & NE Regulations and Constitutive Documents of the Fund are complied with. However, the declaration of final dividend shall only be made by and with the approval of the Board of Directors.~~The Management Company shall decide from time to time the Accounting Period and whether to distribute among Holders, profits (if any) and shall advise the Trustee accordingly. Such~~

1. Amended on May 27, 2011

~~profits may be distributed in cash, additional units, or a combination of both as the Management Company may determine.~~

**5.3 Determination of Distributable Income**

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 the Fund Property during such Accounting Period including all amounts received in respect of dividend, mark-up, profit, etc.;

b) 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 Unit Holders by the Trustee upon instructions of the Management Company and shall thereafter cease to form part of the Fund Property once transferred to the Distribution Account.

c) Net realized appreciation as set out in (b) above from which shall be deducted expenses as set out in Clause 6.2 below and such other adjustments as the Management Company may determine in consultation with the Auditors, subject to the Rules and the provisions of the Income Tax Ordinance and the Rules there under.

**5.4 Reinvestment of Dividend**

Dividends shall be automatically reinvested in additional Units, however a Unit Holder may instruct the Management Company in writing by completing the prescribed form not to re-invest the future dividends to which he/she will be entitled. In such an event future dividends shall be paid by way of transfer to his designated bank account. Unit Holders may opt to receive the amount equivalent to their share of the annual cash distribution in the form of additional Units. In such an event, the Management Company shall at the end of the financial year (or the relevant period in the event of an interim distribution) cause to issue such number of Units to the Unit Holder that approximately equates the value of the Cash Dividend for the period. The issue price shall be determined on the basis of the NAV of June 30 or relevant date after appropriation of income of that year/ relevant period, but without any charge of the front-load normally deducted from the offer price. The issuance of the bonus Units shall be made, net of any taxes, charges and duties that the Management Company or the Trustee is obliged to recover from the Unit Holder.

5.4.1 A Unit Holder may in writing at the time of purchase of Units or at a later date instruct the Management Company to reinvest the future dividends to which he/she will be entitled into the Fund Units.

5.4.2 The Purchase (Offer) Price for the Units to be issued under Clause 5.4.1 above will be the NAV at the Distribution Date after the adjustment of the announced dividend.

**5.5 Bonus Units**

The Management Company may decide to distribute, wholly or in part the distributable income in the form of a stock dividend if it is in the interest of Unit Holder, which would comprise of the Bonus Units of the Trust. The Bonus Unit would rank pari passu as to their rights in the

Net Assets, earnings and receipt of dividend and distribution with the existing Units from the date of issue of these Bonus Units. The account statement or Unit Certificate shall be dispatched to the Unit Holder within fifteen days of the issue of Bonus Units. The Unit Holder(s) have the option to en-cash the Bonus Units at ex-dividend Net Asset Value as on June 30 of the relevant period.

**5.6 Payment of Dividend**

All payments for dividend shall be made by transfer of funds to the Unit Holder(s) designated bank account or through any other mode(s) of payment and such payment shall be subject to NBFC Rules or Regulations[1] (or the charge-holder's designated bank account in case of lien / pledge of Units as the case may be).

**5.7 Dispatch of Dividend Warrants/Advice**

Dividend warrants/advice and or Account Statement as the case may be shall be dispatched to the Unit Holder's or the charge-holder's at their registered address as per the Rules or Regulations[1].

**5.8 Closure of Register**

[2]The Register may be closed with intimation to the Trustee for such period as the Management Company of the Fund may from time to time determine and after giving prior notice to Unit- Holders, provided that it is not closed for more than six working days at a time and forty five days in any calendar year. During the closure period, application for sales, redemptions or transfers will not be received.

[2]~~The Register may be closed under intimation to the Trustee for such period as the Management Company may from time to time determine and after giving at least fourteen (14) calendar days notice to Holders, provided that the time period for closure of register for dividend declaration shall not exceed six (6) working days at a time and shall not exceed forty five (45) days in a The Management Company may close the Register by giving at least fourteen (14) days notice to Unit Holders and for period not exceeding forty five (45) days in a calendar year. During the period the Register is closed the sale and redemption of units, including transfer applications, will be suspended~~. [1]

**6. FEE AND CHARGES**

**6.1 Fees and Charges Payable by an Investor**

**6.1.1 Sales and Processing Charges (Front-end Load)**

The Unit Purchase Price includes front-end load of a maximum of five percent (5%) of the Purchase (Offer) Price (The current level of Front End Load is 3% as indicated in Annexure B). The issue price applicable to bonus Units issued by way of dividend distribution or issue of Units in lieu of cash distribution shall not include any front-end load. Transfer of Units from one owner to another shall be subject to a processing charge of an amount not exceeding one percent (1%) of the Net Asset Value at the date the request is lodged within business hours on the Business Day to the Authorized Distributor, or Transfer Agent or Management Company, which shall be recovered from the transferee. These taxes, charges or duties may be recovered by redemption of Unit Holder equivalent Units at the time of the transfer or may be charged separately. However, the processing charge shall not be payable by successors in the case of inheritance or distribution of the estate of a deceased Unit Holder.

**6.1.2 Remuneration of Distribution Company / Investment Agent / Investment Facilitator**

**A.** The Distribution Company or any Investment Facilitator/Investment Agent/Sales Agents employed by the Management Company will be entitled to a remuneration payable by the Management Company (out of its own resources) and/or from Front End Load on terms to be agreed between the Management Company and the Distribution Company/Agent/ Facilitator/Sales Agent.

**B.** The remuneration of the Distribution Company shall be paid by the Trustee and/ or Management Company and shall not be charged to the Trust Property. The remuneration due to the Distribution Company shall be paid within thirty (30) calendar days of the end of the calendar months.

**1 Amended on December 14, 2010 2. Amended on May 27, 2011**

**C.** In the event that Distribution Function is to be performed by more than one Distribution Company, the remuneration shall be distributed amongst the Distribution Companies in proportion to the Units sold during the relevant period.

**D.** Distributor/Investment Facilitators or Agents located outside Pakistan may if so authorized by Trustee and the Management Company would be entitled to a remuneration (from its own resources) in terms to be agreed between the Management Company and the Distributor located outside Pakistan, subject to the law for the time being in force.

**6.1.3 Redemption Processing Charge (Back-end Load)**

The Unit Redemption Price is calculated after deducting a processing charge not exceeding 5% percent from the Net Asset Value of the Unit (The current level of Back-end Load is NIL as indicated in Annexure B).

**6.2 Fees and Charges Payable by NAFA Stock Fund**

The following expenses will be borne by the Fund:

6.2.1 **Remuneration of the Management Company**

The Management Company shall be entitled to receive a remuneration of an amount not exceeding three percent (3%) per annum of the average daily Net Assets of the Fund during the fist five years of the Scheme and thereafter of an amount equal to two percent (2.0%) per annum of the average daily Net Assets thereafter.

The remuneration shall begin to accrue from the close of the Initial Offer period. In respect of any period other than an Accounting Period such remuneration shall be prorated on the basis of the actual number of days for which such remuneration has accrued in proportion to the total number of days accrued in the Accounting Period concerned.

The Management Company shall be entitled to draw advance remuneration on a monthly basis from the Trust Property out of its accrued remuneration.

6.2.2 **Remuneration of the Trustee**

The Trustee shall be entitled to a monthly remuneration out of the Fund Property based on an annual tariff of charges annexed hereto (Annexure A), which shall be applied to the average daily Net Asset Value during such calendar month. The remuneration shall begin to accrue from the close of the Initial Period. For any period other than a full calendar month such remuneration will be prorated on the basis of the actual number of days for which such remuneration has accrued. Any costs incurred by the Trustee such as legal and related costs incurred in protecting or enhancing the interests of the Fund or the collective interest of the Unit Holders, are reimbursable at actuals, out of the Fund's properties. All expenses incurred by Trustee affecting the registration of all registerable property in Trustee's name for the benefit of the Fund, are reimbursable at actuals, out of the Fund's properties.

6.2.3 Brokerage and Transaction Costs related to investing and disinvesting of the Fund Property.

6.2.4 Legal and related costs incurred in protecting or enhancing the interests of the Fund or the collective interest of the Unit Holders.

6.2.5 Bank charges and borrowing / financial costs.

6.2.6 Auditors' Fees and expenses; and

6.2.7 *The Formation Cost shall be reimbursable by the Fund to the Management Company subject to audit of expenses. The said Formation Cost will be amortized by the Fund over a period of not less than five years.* ~~Formation Cost estimated at but not exceeding one percent (1%) of the Core Investment (Seed Capital) that will be amortized over a period not exceeding five years.~~ [1]

6.2.8 Listing Fee payable to the Stock Exchange(s) on which Units may be listed.

6.2.9 Annual fee payable to the SECP under Rule 79 of the Rules.

6.2.10 Taxes, if any, applicable to the Trust and its income and/or its properties.

6.2.11 Rating fee and other expenses directly related to or arising out of the activities of the Fund.

6.2.12 Marketing expenses specifically related to the Fund.

6.2.13 Charges and levies of stock exchange(s), National Clearing and Settlement Company, CDC, CVT, Laga, Fund Dividend/Redemption of units transfer charges as payable to bank at time of transfer of funds to Unit Holder and other levies and charges.

6.2.14 Such expenses shall be reimbursed to the Management Company at actuals, if these are paid by Management Company on behalf of the Fund, within 30 days.

**6.3 Expenses of the Management Company and the Trustee**

The Management Company and Trustee shall bear all expenditures in respect of their respective secretarial and office space and professional management including all accounting and administrative services provided in accordance with the provisions of the Deed. Neither the Management Company nor the Trustee shall make any charge against the Unit Holders nor against the Fund Property nor against the Distribution Account for their services nor for expenses, except such expenses or fees as are expressly authorized under the provisions of the Rules or Regulations[1] and the Deed to be payable out of Fund Property.

**7. TAXATION**

**7.1 Taxation on the Income of the Fund**

7.1.1 **Liability for Income Tax**

The following is a brief description of the Income Tax Ordinance, 2001, applicable in respect of NSF. This section is for advice only and potential investors should consult their tax experts for their liability with respect to taxation on income from investment in the Fund. This part does not cover tax liability of non-Pakistani resident investors with respect to taxes in their own jurisdiction.

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

- Dividend income ~~received from a company shall be taxed at an income tax rate of 5%.~~ at applicable rates
- *Capital gain arising from sale of securities (i.e. shares of a public company listed on any Stock Exchange(s) in Pakistan, vouchers of Pakistan Telecommunication Corporation modaraba certificates, an instrument of redeemable capital, and derivative products) is taxable at applicable rates (as per Income tax law) if the holding period of such securities is less than one year* ~~Capital gain arising on sale of securities listed on any Stock Exchange(s) in Pakistan is exempt from tax upto tax year 2007.~~ [1]

- *Income from Term Finance Certificates or Corporate Paper(s), Government Securities, return on deposits/Certificates of Investment/deposits with banks/financial institutions, money market transactions, profit and loss sharing accounts with banks etc., is taxable at the rate applicable to a public company (as per Income Tax law). However, income from brokerage and commission is subject to final taxation and the applicable withholding tax will be the final tax on this income.* ~~Income from Term Finance Certificates or Corporate Paper(s), Government Securities, return on deposits / Certificates of Investment/deposit with banks / financial institutions, money market transactions, profit and loss sharing accounts with banks etc., is taxable at the rate applicable to a public company (as per Income Tax law). However, income from brokerage and commission is subject to final taxation and the withholding tax there from will be the final tax on this income~~. [1]

**1. Amended on December 14, 2010**

Notwithstanding the tax rates given above, the income from the Fund will be exempted from tax if 90% or more of its accounting income for the year as reduced by capital gains whether realized or unrealized, is distributed amongst the Unit Holders. Further under the provisions of Clause 47 (B) of Part (IV) of the Second Schedule to the Income Tax Ordinance 2001, the Fund's income from dividend, profit on debt brokerage and commission is exempt from respective withholding tax provisions of law ~~Notwithstanding the tax rates given above, the income from the Fund will be exempted from tax if 90% or more of its accounting income for the year as reduced by capital gains whether realized or unrealized is distributed amongst the Unit Holders. Further under the provisions of Clause 47 (B) of Part (IV) of the Second Schedule to the Income Tax Ordinance 2001 tax is not required to be deducted from payment of dividend, profit on debt, brokerage and commission to the Fund.~~ [1]

7.1.2 **Zakat**

NSF is Saheb-e-Nisab under the Zakat and Ushr Ordiannce, 1980. The balance in the credit of savings bank account, or similar account with a bank standing on the first day of Ramzan-ul-Mubarak will be subjected to deduction to 2.5% Zakat.

## 7.2 Taxation on Unit Holders

**Disclaimer:** The information set forth below is included for general information purposes only. In view of individual nature of tax consequences, each investor is advised to consult with his/her tax advisor with respect to the specific tax consequences to him/her of investing in the Fund.

**7.2.1** *Unit Holders of the Fund will be subject to Income Tax @ 10% on dividend income distributed by the Fund (exemption on distribution out of capital gains is limited to those funds which are debt or money market funds and they do not invest in shares).* [1]

*The tax deducted on dividend at the rates specified above will be the final tax (except for companies) and the payer will be required to withhold the amount of tax at source from payment of dividend except payment to the banking companies.* [1]

~~Unit Holders of the Fund will be subject to Income Tax on dividend income (excluding the amount of dividend paid out of capital gains) as under:~~

- ~~Public Companies & Insurance Companies 5%~~
- ~~Others resident companies 5%~~
- ~~Others 10%~~

~~The tax deducted on dividend at the rates specified above will be the final tax and the payer (Trustee) will be required to withhold the amount of tax at source from payment of dividend. Unit Holders who are exempt from income tax may obtain exemption certificate from the Commissioner of Income Tax and provide the same to the Management Company and/or Transfer Agent and on the basis of Exemption Certificate income tax will not be withheld~~. [1]

**7.2.2 Capital Gains**

*Capital gain arising from sale/redemption of units of the Fund (listed on the Stock Exchange(s)) will be subject to tax at the applicable tax rate where such units are held by the unit holder for a period of less than one year. The capital gain of the units held for more than a year will not be taxed.* ~~Capital Gains on disposition of Units in the Fund will be subject to tax on capital gain at the applicable tax rate. The Units of the Fund will be listed on the Stock Exchange(s). Consequently, subject to such listing, the Capital Gain on disposal of the Units shall be exempt from tax up to Tax Year ending on 30th day of June 2007.~~ [1]

**1. Amended on December 14, 2010**

*The Fund shall deduct tax on capital gains at the specified/applicable rates on redemption of units if the holding period of such units is less than one year.*[1]

*The above stated provisions for taxation of capital gain will not apply to the insurance and banking companies whose capital gains' taxation will be made according the provisions of the Forth Schedule and Seventh Schedule of the Income Tax Ordinance, 2001 respectively.*[1]

*Unit Holders who are exempt from income tax may obtain exemption certificate from the Commissioner of Income Tax and provide the same to the Management Company and/or Transfer Agent and on the basis of Exemption Certificate income tax will not be withheld*[1]

### 7.2.3 Tax Credit

Unit Holders other than a company shall be entitled to a tax credit under Section 62 of the Income Tax Ordinance, 2001, on purchase of new Units. The amount on which tax credit will be allowed shall be lower of (a) amount invested in purchase of new Units, (b) 10% of the taxable income of the Unit Holder, and (c) Rupees *Three Hundred Thousand*, and will be calculated by applying the average rate of tax of the Unit Holder for the tax year. If the Units so acquired are disposed within 12 months, the amount of tax payable for the tax year in which the Units are disposed shall be increased by the amount of tax credit. ~~Unit Holders other than a company shall be entitled to a tax credit under Section 62 of the Income Tax Ordinance, 2001, on purchase of new Units. The amount on which tax credit will be allowed shall be lower of (a) amount invested in purchase of new Units, (b) 10% of the taxable income of the Unit Holder, or (c) Rupees two hundred thousand, and will be calculated by applying the average rate of tax of the Unit Holder for the tax year. If the Units so acquired are disposed within 12 months, the amount of tax payable for the tax year in which the Units are disposed shall be increased by the amount of tax credit~~. [1]

### 7.2.4 Zakat

Units held by resident Pakistani shareholders (individuals only) shall be subject to Zakat at 2.5% of the Par value of the Units under Zakat and Ushr Ordinance, 1980, (XVII of 1980), except those exempted under the said Ordinance. Zakat will be deducted at source from the dividend amount or from the redemption proceeds.

**1. Amended on December 14, 2010**

**7.3 Dividends**

The Fund *shall* distribute 90% or more of its accounting income for the year as reduced by capital gains (*whether realized or unrealized)* amongst the Unit Holders as Bonus Units and/or cash dividend in order to avail tax exemption in the interest of the Unit Holders(s). ~~The Fund may distribute 90% or more of its accounting income for year as reduced by capital gains amongst the Unit Holders as Bonus Units or cash dividends in order to avail tax exemption in the interest of the Unit Holders(s)~~ [1]

**7.4 Disclaimer**

The tax and zakat information given above is based on the Management Company's tax adviser's interpretation of the law, which to the best of the Management Company's understanding is correct but Investors are expected to seek independent advice so as to determine the taxability arising from their investment in the Units of the Fund. Furthermore, tax and zakat laws, including rates of taxation and of withholding tax are subject to amendments from time to time. Any such amendments in future shall be deemed to have been incorporated herein.

**The entire information in Clause 7 is based on the current taxation status. The exemptions and rates of taxation are subject to change from time to time.**

## 8. REPORTS AND ACCOUNTS

**8.1 Financial Year of NAFA Stock Fund**

The Accounting Period will commence from the date of registration of the Fund for the first year to June 30, and from July 01 to June 30 for all the following years.

**8.2 Financial Reporting**

The following reports will be sent to the Unit Holders:

a) Audited financial statements, together with the auditors report, the report by the Management Company (Director's Report) and the report by the Trustee within four months of the close of each Accounting Period.

b) Un-audited financial statements (subject to limited scope review by auditors), together with the report by the Management Company within two months of the close of the second quarter of the Accounting Period, as per the Rules or Regulations. [1]

c) Un-audited financial statements, together with the report by the Management Company within one month of the close of the first and third quarter of each Accounting Period or such period as prescribed by SECP or the Rules or Regulations. [1]

d) The Trustee shall issue a report to the Unit Holders to be included in the annual report, or at such times as directed by the SECP, in accordance with the Law, whether in its opinion, the Management Company has in all material respects managed the Fund Property in accordance with the provisions of the Rules or Regulations[1] and the Deed and if the Management Company has not done so, the respect in which it has not done so and the steps the Trustee has taken in respect thereof. The regularity of reporting will change if so required by the SECP or under the Rules and the Ordinance.

## 9. SERVICE TO UNIT HOLDERS

**1. Amended on December 14, 2010**

**9.1 Availability of Forms**

All the Forms mentioned and/or included in this Offering Document will be available at the Authorized Branches of the Distribution Companies as well as from the Management Company or on its web site at www.nafafunds.com.

**9.2 Register of Unit Holders**

- A Register of Unit Holders may be maintained by Transfer Agent Department of the Management Company presently having its office at Transfer Agent Department, National Fullerton Asset Management Limited, ~~Ground Floor, Muhammadi House~~9th Floor Adamjee House [1], I. I. Chundrigar Road, Karachi, or such other company, as the Management Company may appoint after giving prior notice to the Unit Holders.

- Every Unit Holder will have a separate Registration Number. The Management Company shall use such Registration Number for recording Units held by the Unit Holder. Unit Holder's account identified by the registration number will reflect all the transactions in that account held by such Unit Holder.

- The Holder will be entitled to ask for copies of his account statement thereof on any Business Day within business hours by applying to the Transfer Agent in writing and providing such fee that the Management Company may notify from time to time.

- The Register shall be conclusive evidence as to the Units held by each Unit Holder.

**9.3 Information in the Register**

The Register will normally contain the following major information:

**9.3.1 About Unit Holders**

a) Name of Unit Holder / Joint Unit Holders;
b) Address of Unit Holder / first named Joint Holder;
c) National Identification Number(s) of Unit Holder/ Joint Unit Holders and or identification number of passport if applicable;
d) Father's or Husband's name of Unit Holder in case of individual;
e) Occupation of Unit Holder;
f) Tax status of the Unit Holder;
g) Bank details;
h) Zakat status of the Unit Holder(s);
i) Record of signature of Unit Holder/ Joint Holders;
j) Particulars of Nominee(s);

**9.3.2 About Units**

a) Type and Class;
b) Certificate number, if applicable;
c) Dates of purchase / redemption / transfer;
d) Number of Units held by the Unit Holder; and
e) Information about lien / pledge / charge on Units.

**9.3.3 Instructions**

a) Instruction about reinvestment or payment of dividend or the encashment of bonus Units;
b) Instructions for redemption application;
c) Information and instruction about Pledge of Units / lien;
d) Information and instruction about Nominee(s) in case of death of Unit Holder;

**1. Amended on December 14, 2010**

e) Bank details for Redemption / Dividend mandate.

**9.3.4 Request for Changes**

All existing Unit Holders or those who have purchased the Fund Units as per Clause 4.4 above are eligible to change their Unit Holder details if they so desire. Such change in particulars and requests can be made via Special Instruction Form, as attached in Annexure "D" of this Offering Document. These Forms may be obtained from Distributors or Investment Facilitators or from the Management Company or through our web site. The Transfer Agent, who on being satisfied therewith and on compliance with such formalities (including in the case of a change of name the surrender of any Certificate previously issued to such Holder and the payment of the fee) shall alter the Register or cause it to be altered accordingly and in the case of a change of name shall issue a new Certificate if required to such Holder.

**9.4 Account Statement**

The Transfer Agent may send directly to each Unit Holder an account statement each time there is a transaction in the account.

**9.5 Certificates**

9.5.1 Unit Certificates will be issued only to Growth Unit Holder(s) if requested.

9.5.2 Unit Certificate(s) will be issued only if requested by Units Holder(s) together with a fee at the rate of Rs. 25/- per Certificate or any other amount as determined by the Management Company from time to time.

9.5.3 The issued Certificate would be sent through postal or courier service at the applicant's risk within 21 Business Days after the request for the Certificate has been made, to the address of the Unit Holder or to the address of the first named Joint Holder / Principal Account Holder, if the relevant Unit or Units are jointly held.

9.5.4 Certificate(s) will not be issued for fractional Units.

9.5.5 In the case of Units held jointly the Transfer Agent shall not issue more than one Certificate for the Units held by such Joint Holder(s) and delivery of such Certificate to the first named Joint Holder/Principal Account Holder named first therein shall constitute sufficient delivery to all Joint Holders. All payments required under this document (i.e. redemption and dividend) will be made to first name Joint Holder/Principal Account Holder.

9.5.6 Certificates shall be issued in such form as may from time to time be agreed between the Management Company and the Trustee. A Certificate shall be dated, shall bear the name and address of the Management Company and the Trustee, shall bear a serial number and shall specify the number of Units represented thereby and the name and address of the Holder as appearing in the Register.

**9.6 Replacement of Certificates**

9.6.1 The Transfer Agent or Management Company may replace Certificates, which are defaced, mutilated, lost or destroyed on application received by them from the Unit Holder on the prescribed form on the payment of all costs and on such terms as to evidence, indemnity and security as may be required. Any defaced or mutilated Certificate must be surrendered before a new Certificate is issued.

9.6.2 The Unit Holder shall on application on prescribed form be entitled to consolidate the entire holding in the Fund into one (01) Certificate upon surrender of existing Certificates.

9.6.3 Each new issue of Certificates will require payment of Rs.25/- per Certificate, subject to revisions of fee from time to time by the Management Company.

**9.7 Pledge/Lien of Units/Charge**

For details about Pledge / Lien of Units / Charge please refer to Clause 4.7 above.

**9.8 Nomination**

Subject to any Personal Laws that may applicable to a Unit Holder, a single Unit Holder can nominate a successor to receive the Units upon his death by filling in the relevant portion of the Investment Form (or may request a nomination or change in nomination through the Special Instruction Form. Nominee(s) can be nominated only by single Unit Holder when there are no Joint Holders. The maximum number of Nominee(s) can be two (02) in number with their respective shares mentioned in percentage against their respective names. Such nomination shall however not restrict the Management Company or the Trustee or the Transfer Agent from demanding succession certificate from appropriate court of law and they shall not be liable in any manner in case of any disputes among the legal heirs of the deceased.

## 10. FINANCIAL INFORMATION

### 10.1 Auditors Certificate on Core Investors' Investment in the Units of the Fund

A.F. FERGUSON & CO.

A member firm of PRICEWATERHOUSECOOPERS

A.F.Ferguson & Co
Chartered Accountants
State Life Building No. 1-C
I.I.Chundrigar Road, P.O.Box 4716
Karachi-74000, Pakistan
Telephone: (021) 2426682-6 / 2426711-5
Facsimile: (021) 2415007 / 2427938

The Board of Directors
National Fullerton Asset Management Limited
9th Floor, Adamjee House
I. I. Chundrigar Road
Karachi

December 29, 2006

C 0504

Dear Sirs

**AUDITORS' CERTIFICATE FOR RECEIPT OF SUBSCRIPTION TOWARDS SEED CAPITAL - NAFA STOCK FUND (THE FUND)**

As requested by you we have verified from the books and records of the Fund managed by National Fullerton Asset Management Limited that a sum of Rs 250,000,000 (Rupees Two Hundred Fifty Million only) has been received up to December 27, 2006 in the Fund's bank account maintained with NIB Bank Limited (Main Branch) towards subscription of seed capital of the Fund.

The seed capital has been received as follows:

| S.No | Core Investors | Number of Units | Amount in Rupees |
|---|---|---|---|
| 1. | Alexandra Fund Management Pte. Limited | 10,000,000 | 100,000,000 |
| 2. | National Bank of Pakistan | 7,500,000 | 75,000,000 |
| 3. | NIB Bank Limited | 7,500,000 | 75,000,000 |
| **Total** | | **25,000,000** | **250,000,000** |

This certificate is being issued only for submission as part of NAFA Stock Fund 'Offering Document'.

Yours truly

Lahore Office: 505-509, 5th Floor, Alfalah Building, P.O.Box 39, Shahrah-e-Quaid-e-Azam, Lahore, Pakistan Tel: (92-42) 6301796-7 / 6307127-30 Fax: (92-42) 6301731
Islamabad Office : PIA Building, 49 Blue Area, P.O.Box 3021, Islamabad, Pakistan Tel: (92-51) 2273457-60 Fax: (92-51) 2277924

## 10.2 Auditors Certificate on the Net Asset Value of the Fund

A member firm of
PRICEWATERHOUSECOOPERS

A.F. FERGUSON & CO.

A.F.Ferguson & Co
Chartered Accountants
State Life Building No. 1-C
I.I.Chundrigar Road, P.O.Box 4716
Karachi-74000, Pakistan
Telephone: (021) 2426682-6 / 2426711-5
Facsimile: (021) 2415007 / 2427938

The Board of Directors
National Fullerton Asset Management Limited
9th Floor, Adamjee House
I.I. Chundrigar Road
Karachi

January 8, 2007

C 0514

Dear Sirs,

**NET ASSET VALUE (UNAUDITED) OF EACH UNIT OF NAFA STOCK FUND (THE FUND)**

As requested by you we confirm that on the basis of the unaudited books and records of the Fund and the details provided to us by the management company of the Fund, the Net Assets of the Fund as on January 05, 2007 amount to Rs. 250,000,000. The Net Asset Value of each unit proposed to be issued amounts to Rs. 10 and has been computed as follows:

| | (Rupees) |
|---|---|
| Total assets of the Fund | 250,976,748 |
| Less: Total liabilities of the Fund | 976,748 |
| Net assets of the Fund | 250,000,000 |
| | |
| Number of units (core units) proposed to be issued as of January 05, 2007 | 25,000,000 |
| | |
| Net Asset Value per unit | Rs. 10 |

This certificate is being issued only for submission as part of NAFA Stock Fund 'Offering Document'.

Yours truly

Lahore Office: 505-509, 5th Floor, Alfalah Building, P.O.Box 39, Shahrah-e-Quaid-e-Azam, Lahore, Pakistan Tel: (92-42) 6301796-7 / 6307127-30 Fax: (92-42) 6361954
Islamabad Office : PIA Building, 49 Blue Area, P.O.Box 3021, Islamabad, Pakistan Tel: (92-51) 2273457-60 Fax: (92-51) 2277924

**10.3 Formation Cost**

All expenses incurred in connection with the incorporation, establishment and registration of the Fund (formation cost) as per Regulations, shall be reimbursable by the Fund to the Management Company subject to audit of expenses The said formation cost shall be amortized by the Fund over a period of not less than five years or any other period as specified by the Commission. Details of these expenses shall be reported to the Commission and the Trustee in accordance with the requirements specified in the Regulations ~~All preliminary and floatation expenses of the Fund including expenses in connection with authorization of the Scheme, execution and registration of the Constitutive Document, issue, legal costs, printing, circulation and publication of the Offering Document, marketing of the Fund and inviting investment therein and all expenses incurred during the period leading up to the Initial Period, shall be borne by the Fund and amortized over a period of not more than five years. Such cost will not exceed one percent (1%) of the Core Investors Investment into the Fund~~.

Provided such expenses do not exceed one percent (1%) of the Pre-IPO money or five million Rupees (PKR 5,000,000/-), whichever is lower.[1]

## 11. WARNING

**11.1 Offering Document**

The provisions of the Trust Deed and the Rules or Regulations[1] govern this Offering Document. This Offering Document sets out the arrangements covering the basis of the Fund Units. It sets forth information about the Fund that a prospective investor should know before investing in any Unit of the Fund. Prospective investors should consult one or more from amongst their legal adviser, stockbroker, bank manager, or other financial adviser.

**11.2 Fluctuation in Price and Income**

Prices of Units and income from them may go up or down.

**11.3 Disclaimer**

**The investor must recognize that all investments involve varying level of risk. Neither the value of Units in the Fund nor the dividend declared by the Fund can be assured.**

**The historical performance of this Fund, the financial market or that any one security or transaction included in the Fund's portfolio does not necessarily indicate future performance.**

**Investors are advised to read risk disclosure as mentioned in this document in Clause 2.4 and Clause 2.5 above for more information concerning risk.**

## 12. GENERAL INFORMATION

**12.1 Inspection of Constitutive Documents**

The copies of constitutive documents, such as Trust Deed and Offering Document, can be inspected free of charge at the addresses given below:

[1]**NBP Fullerton Asset Management Limited (Formerly National Fullerton Asset Management Limited**
~~Ground~~ 9th Floor,
~~Muhammadi~~ Adajmee House,
I.I. Chundrigar Road,
Karachi,
Pakistan.

**Central Depository Company of Pakistan Limited**
CDC House, 99-B, Block 'B'
S.M.C.H.S.,
Main Shahra-e-Faisal,
Karachi,
Pakistan

1. Amended on December 14, 2010

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**12.2 Date of Publication of Offering Document**

The Offering Document has been published on January 15, 2007. The Management Company accepts responsibility for the information contained in the Offering Document as being accurate at the date of publication.

## 13. TERMINATION OF NAFA STOCK FUND

**13.1 By the Management Company**

The Fund may be terminated by the Management Company by giving three (3) months notice in writing to the Unit Holders on the grounds given in the Trust Deed and Clause 4.8.4 and 4.9 of this Offering Document. The grounds on which termination is made shall be mentioned in the notice to the Unit Holders.

**13.2 By the Securities and Exchange Commission of Pakistan**

If the SECP considers that further continuation of the authorization of the Fund will not be in the interest of Unit Holders, it will give a three months notice to the Unit Holders about its intention not to maintain such authorization, provided that no notice shall be served without offering an opportunity of hearing to the Management Company.

**13.3 Winding up**

In case of the termination of the Fund, the Management Company shall be required to wind-up the Fund and refund the proceeds to the Unit Holders in such a manner and within such time as may be specified by the SECP.

## 14. GLOSSARY

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

14.1 **"Accounting Date"** means the thirtieth day of June in each year [1] *and any interim dates at which the financial statements of the Fund are drawn up*, provided that the Management Company, with the written consent of the Trustee may change such date to any other date and such change shall be intimated to the Commission.

14.2 **"Account Opening Form"** means standardized form prescribed by the management Company to be duly filled by the investors at the time of opening an account with the Fund.

14.3 **"Accounting Period"** means a period ending on and including an Accounting Date and commencing in case of the first such period on the date of commencement of the Initial Period and in any other case from the [1] next day ~~end~~ of the preceding Accounting Period.

14.4 **"Act"** is defined in **the** preamble.

14.5 **"Auditor"** means the Auditor of the Trust appointed by the Management Company as per the Rules or Regulations [1].

14.6 **"Authorized Investments"**

~~NAFA Stock Fund is an equity Fund and its "Authorized Investments" include all transacted, issued, traded, listed and unlisted investments, inside or outside Pakistan and may include the following~~:[1]

**1. Amended on December 14, 2010**

- Listed and Unlisted securities, shares and stocks
- Government of Pakistan Investment Bonds, Federal Investment Bonds, Treasury Bills , other Government Securities ,credit linked notes and currency forwards;
- Debentures and Certificates of Musharika (COM);
- Long, medium and short term bank deposits with banks or financial institutions including deposit in currencies other than the Pakistani Rupee;
- Units in any other collective investment scheme ;
- Any other equity or money market securities;
- Secured and unsecured listed or privately placed debt securities issued by local governments, government agencies, statutory bodies, private or public sector entities and/or financial institutions having a minimum investment grade rating. If the entit y issuing the debt securities is not rated then the instrument would have a minimum investment grade rating by a credit rating agency registered with the Commission;
- Convertible debt securities issued by corporates/financial institutions.
- Convertible and Non Convertible preferred shares.
- Certificates of Investment/Deposits issued by financial institutions having a minimum investment grade rating by a credit rating agency registered with the Commission;
- Asset Backed and Mortgage Backed Debt Securities;
- Repurchase transactions ((REPOs) in the money market instruments only and to the extent and for the purpose specified in the Rules) and reverse REPOs against securities;
- Commercial Papers and any other money market debt security that may or may not be listed on the Stock Exchange but does not include bearer security or any other security that would involve assumption of unlimited liability;
- Continuous Funding System (CFS) Investment in CFS or any other scheme replacing it subject to SECP's approval, shall be restricted upto a maximum of 25% of Net Assets of the Fund, with not more than 20% of CFS amount in any one script at the time of investment;
- Spread Transactions. NAFA Stock Fund will enter into transactions aimed at earning a spread in the price of securiti es resulting from the timing difference between ready and future settlements. NAFA Stock Fund will buy in the ready settlement market and sell in future settlement market. Both the transactions will be carried out simultaneously so as to avoid any risk emanating from the movement in the prices of underl ying securities;
- Warrants, Options, derivatives subject to the prior approval of SECP. Investment in this asset class would be for hedging purposes only and subject to such terms and conditions as approved by the Commission from time to time;

- Subject to SECP or other regulatory approvals the Scheme may seek to invest in Foreign securities issued, listed or otherwise and traded outside Pakistan on such terms, guidelines and directions as may be issued by SECP and the State Bank of Pakistan from time to time.

  Investments outside Pakistan will enable the Fund to diversify risk as well as avail opportunities for higher returns in international markets. Foreign investment by the Fund is subject to the following limits:

  a) 30% of the Net Assets of the Fund.
  b) The above percentage is subject to a cap of US$ 15 million. At some time in the future, the Management Company may expand this limit after seeking permission from the Commission and the State Bank of Pakistan. The limit to international investment will apply at the time of investment and it will not be necessary for the Trustee to sell the investments merely because, owing to appreciation or depreciation of any investments, change in foreign exchange parities, disposal of any investment or change in limit due to increase or decrease in Units, such limits shall be exceeded.

  In case, due to the relative movement of the value of foreign investments and/or change in the limit, the value of foreign investments exceeds the above limits, the Management Company will have three months to bring the Fund into compliance. [1]

**1. Amended on December 14, 2010**

~~Fund Property can be invested in international Investments including the following:~~

~~(a) International equities;~~
~~(b) International profit bearing securities;~~
~~(c) International money market;~~
~~(d) Foreign currency bank deposits and certificate of investments;~~
~~(e) Foreign currency bank account in Pakistan;~~
~~(f) Mutual Funds.~~[1]

*Authorized Investments means and include*[1]

*NAFA Stock Fund is an Equity Fund*[1]

- *Listed Equity Securities and Unlisted Equity Securities, only if an application for listing has been accepted by the Stock Exchange*[1]
- *Treasury Bills not exceeding 90 days maturity*[1]
- *Bank deposits with Commercial banks excluding TDRs*[1]
- *Deposits in foreign currencies with Commercial banks after prior approval of the applicable regulatory authority*[1]

Subject to SECP or other regulatory approvals the Scheme may invest in foreign securities issued, listed or otherwise and traded outside Pakistan on such terms, guidelines and direction as may be issued by SECP and the State Bank of Pakistan from time to time[1]

14.7 **"Back-end Load"** means processing charge deductible from the Net Asset Value of the Unit to determine the Redemption Price. Such load, not exceeding five percent (5%) of the Net Asset Value, shall be determined by the Management Company from time to time and disclosed in the Offering Document. Any such charges shall be treated as part of the Deposited Property. Provided however that different levels of Back-end Load may be applied to different classes of units ~~means a processing charge not exceeding 5% (or such other percentage as may be mutually agreed between the Trustee and the Management Company in writing) of the Net Asset Value, deducted from the Net Asset Value in determining the Redemption Price~~. [1]

14.8 **"Bank"** means any Schedule Bank, as defined under the State Bank of Pakistan Act, 1956 and licensed to carry on banking business and shall include a bank incorporated outside Pakistan and carrying on business in Pakistan as a Schedule Bank.

14.9 **"Bank Accounts"** means those account(s) opened and maintained for the Scheme by the Trustee at Bank's, the beneficial ownership in which shall vest in the Unit Holders.

14.10 **"Benchmark"** means the performance benchmark of the Fund for the period of return shall be the 'KSE-30 Index' or such other benchmark as determined by the Management Company under prior intimation to the Trustee, SECP and the Unit Holders and disclosed in the Offering Document.~~means sum of total of fifty percent of KSE 30 Index and fifty percent 1 Month KIBOR. The performance of the Fund will be compared against the Benchmark.~~[1]

14.11 **"Business Day"** means a day on which ~~offices of the Management Company are open for business in Pakistan i.e. from Monday to Friday.~~Stock Exchange (s) in Pakistan are open for business.[1]

14.12 **"Certificate"** means the definitive certificate acknowledging the number of Units registered in the name of the Holder issued at the request of the holder pursuant to the provisions of the Trust Deed.

14.13 **"Connected Person"** shall have the same meaning as assigned in the Rules or Regulations. [1]

14.14 **"Constitutive Documents"** means the Trust Deed that is the principal document governing the formation, management or operation of the Trust, the Offering Document and all material agreements in relation to the Trust.

14.15 **"Contingent Load"** ~~means Sales Load payable not exceeding 5% of the Net Asset Value, if Units are redeemed by any major Unit Holder in such period of time that the Management Company believes, may adversely affect the interest of other Unit Holders Any Contingent Load received will form part of the Trust Property.~~ [2] *means Sales Load payable not exceeding 5% of the Net Asset Value, if Units are redeemed by any major Unit Holder in such period of time that the Management Company believes, may adversely affect the interest of other Unit Holders. Any Contingent Load received will form part of the Trust Property.*

**1. Amended on December 14, 2010** **2. Amended on May 27, 2011**

14.16 **"Continuous Funding System (CFS)"** is a form of financing transacted through the Stock Exchange(s). It consist of two simultaneous transactions, the first for purchase of an underlying security (shares) on the next settlement date and the second for selling back the security at a higher price for a **subsequent** settlement date.

14.17 **"Core Investors"** of the Scheme shall be such initial investors whose subscription shall in aggregate be in compliance of the requirements of Clause 67(2) (f) of the Rules. The Core Investors shall be issued Core Units representing their subscriptions. Particulars of the Core Investors are included in this Offering Document.

14.18 **"Core Units"** shall mean such Units of the Trust that are issued to Core Investors with the condition that these are not redeemable for a period of two years from the close of the First Offer Period. Such Units are transferable with this condition, but otherwise shall rank *pari passu* with all other Units, save for this restriction. Any transfer of the Core Units, during the first two years of their issue as mentioned herein, shall be affected only on the receipt by the Registrar of a written acceptance of this condition by the transferee.

14.19 **"Custodian"** "Custodian" shall have same meaning as in the Rules or Regulations as amended or substitute from time to time ~~means a Bank(s) or Central Depository Company or any other Depository Company which may be appointed by the Trustee with the approval of the Management Company to hold and protect the Trust Property or any part thereof as custodian on behalf of the Trustee; and/or (b) the Trustee, with the approval of the Management Company, to hold and protect the Trust Property or any part thereof as custodian~~. [1]

14.20 **"Discount Rate"** means the rate at which the State Bank of Pakistan makes funds available to banks for short periods against the collateral of government bonds; and if no longer published then the substitute thereof.

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

14.22 **"Distributor / Distribution Company"** Distributor / Distribution Company" means a an individual(s) or a Company(s) or Firm or a Bank or Central Depository Company or any other Financial Institution appointed by the Management Company under intimation to Trustee for performing any or all off the Distribution Functions and shall also include the Management Company itself, if it performs the Distribution Function. ~~means a Company(ies) or firm or a Bank or any other Financial Institution appointed by the Management Company in consultation with the Trustee for performing any or all off the Distribution Functions and shall also include the Management Company itself, if it performs the Distribution Function.~~ [1]

14.23 **"Distribution Function"** mean the functions with regard to:

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

b) interfacing with and providing services to the Holders including receiving redemption/transfer applications, conversion notices and applications for change of address or issue of duplicate Certificates for immediate transmission to the Management Company or the Transfer Agent as appropriate; ~~Issuing receipts in respect of (a) above;~~

c) accounting to the Management Company for all: (i) payment instrument received from the applicants for issuance of Units; (ii) payments instrument delivered to the Holders on redemption of Units; and (iii) expenses incurred in relation to the Distribution Function~~Interfacing with and providing services to the Unit Holders including receiving Redemption/Transfer applications, conversion notices and applications for change of address or issue of duplicate Certificates for immediate transmission to the Management Company or the Transfer Agent as appropriate~~;

~~d) Accounting to the Trustee for all: (i) moneys received from the applicants for issuance of Units; (ii) payments made to the Holders on redemption of Units; and (iii) expenses incurred in relation to the Distribution Function;~~ [1]

e) The above functions may be performed electronically, if appropriate systems are in place.

14.24 **"Duties and Charges"** means in relation to any particular transaction or dealing all stamp and other duties, taxes, zakat, Government charges, brokerage, bank charges, transfer fees, registration fees and other duties and charges in connection with the increase or decrease of the Trust Property or the creation, issue, sale, transfer, redemption or purchase of Units or the sale or purchase of Investment or in respect of the issue, transfer, cancellation or replacement of a Certificate or otherwise which may have become or may be payable in respect of or prior to or

**1. Amended on December 14, 2010**

upon the occasion of the transaction or dealing in respect of which such duties and charges are payable, but do not include the remuneration payable to the Distribution Company or any commission payable to agents on sales and redemption of Units or any commission charges or costs which may have been taken into account in ascertaining the Net Asset Value.

14.25 **"Exchange of Form"** means a standardized form prescribed by the Management Company to be duly filed by the investor for shifting from NSF to any other Fund managed by the Management Company and will be stated in the Offering Document.

14.26 **"Federal Government"** means the Federal Government of Islamic Republic of Pakistan.

14.27 **"Formation Cost"** means preliminary expenses relating to regulatory and registration fees of the Scheme, including flotation expenses of the Scheme, expenses relating to authorization of the Scheme, execution and registration of the Constitutive Documents, legal costs, printing, circulation and publication of the Offering Document, announcements describing the Scheme and all other expenses incurred until the end of the Initial Period.

14.28 **"Front-end Load"** means the sales and processing charges (excluding Duties and Charges) that is received by the Management Company and/ or its Distributors that may be included in the Initial Price or Offer Price of the Units not exceeding five percent (5%) of the Par Value or Net Asset Value, whichever is applicable. The details of Front-end Load applicable to the Offer Price shall be specified in the Offering Document. Provided however that different levels of Front-end Load may be applied to different investors.

~~means the sales and processing charge or commission (excluding Duties and Charges) not exceeding 5% or such other percentage (as may mutually be agreed upon between the Trustee and the Management Company in writing) of the Net Asset Value which may be included in the Offer Price of the Units; provided however that different levels of Front-end Load may be applied to different investors, as may be mutually agreed between the Trustee and the Management Company.~~

14.29 **"Government Securities"** means securities and other instruments issued and to be issued by any Federal and/or Provincial Government of the Islamic Republic of Pakistan and/or the State Bank of Pakistan, including but not limited to Federal Investment Bonds, Pakistan Investment Bonds and any securities/instruments replacing or substituting the foregoing from time to time.

14.30 **"Holder or Unit Holder"** means the investor for the time being entered in the Register as owner of a Unit including investors jointly so registered pursuant to the provisions of this Trust Deed.

14.31 **"Initial Period"** and/or **"Initial Offer"** means a period determined by the Management Company not exceeding ninety days during which Units will be offered at the Initial Price in terms of the Offering Document, inclusive of the offering to the Core Investors.

14.32 **"Initial Price"** means the price per Unit during the Initial Period determined by the Management Company.

14.33 **"Investment"** means any Authorized Investment forming part of the Trust Property.

14.34 **"Investment Facilitators/Advisors/Sales Agents"** means an individual, firm, corporate or other entity appointed by the Management Company to identify, solicit and assist investors in investing in the Scheme. The Management Company shall compensate the Investment Facilitators/Sales Agents out of the ~~Sales~~ Front-end Load collected by it in the Offer Price and /or Management Fee.

14.35 **"Investment Form"** means a standardized form prescribed by the Management Company to be duly filed by the investor to purchase Units and will be stated in the Offering Document.

14.36 **"KIBOR"** means Karachi Inter Bank Offer Rate;

14.37 **"Management Company"** is defined in the preamble hereto;

14.38 **"Net Assets"** in relation to the Trust, means the excess of assets over liabilities of the Trust, such excess being computed in the manner specified hereunder:-

**1. Amended on December 14, 2010**

a. An equity security listed on a stock exchange shall be valued at its last sale price on such exchange on the date as of which it is valued, or if such exchange is not open on such date, then at its last sale price on the next preceding date on which such exchange was open and if no sale is reported for such date, the security shall be valued at an amount not higher than the closing asked price nor lower than the closing bid price;

b. An investment purchased and awaiting payment against delivery shall be included for valuation purposes as a security held, and the cash account of the Fund shall be adjusted to reflect the purchase price, including brokers commission and other expenses incurred in the purchase thereof but not disbursed as of the valuation date;

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

d. The value of any dividends, bonus shares or rights which may have been declared on securities in the portfolio but not received by the Fund as of the close of business on the valuation date shall be included as assets of the Fund, if the security upon which such dividends, bonuses or rights were declared is included in the assets and is valued exdividend, ex-bonus or ex-rights as the case may be;

e. A security not listed or quoted on a stock exchange shall be valued at investment price or its break up value as per last audited accounts, whichever is later.

f. Mark-up accrued on any mark-up bearing security in the portfolio shall be included as an asset of the Fund, if such accrued interest is not otherwise included in the valuation of the security;

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

h. All liabilities, expenses, taxes and other charges, including Annual Fee due or accrued up to the date of computation which are chargeable under the Rules, other than the paid-up capital of the Fund, shall be deducted from the value of the assets;

i. The remuneration accrued up to the date of computation payable to the Management Company, for providing management and other services, shall be included as an expense.

14.39 **"Net Assets Value"** means per Unit value of the Trust arrived at by dividing the Net Assets by the number of Units outstanding.

14.40 **"Offer Price"** means the sum to be paid to the Trustee for the benefit of the Trust for issuance of one Unit, such price to be determined pursuant to this document.

14.41 **"Offering Document"** means the prospectus, advertisement or other document (approved by the Commission) which contains the investments and distribution policy, unit structure(s) and all other information in respect of the Unit Trust, as required by the Rules or Regulations[1] and is circulated to invite offers by the public to invest in the Scheme.

14.42 **"On-line"** means transactions through electronic data-interchange whether real time transactions or otherwise, which may be through the internet, intranet networks and the like.

14.43 **"Ordinance"** means Companies Ordinance 1984

**1. Amended on December 14, 2010**

14.44 **"Pakistan Origin Investments"** includes securities or instruments that are issued, traded or listed outside Pakistan as long as they are of Pakistani Origin.

14.45 **"Par Value"** means the face value of a Unit as defined in the Offering Documents.

14.46 **"Personal Law"** means the law of inheritance and succession as applicable to the individual Unit Holder.

14.47 **"Pledge Form"** means a standardized form prescribed by the Management Company to be duly filed by the investor to Pledge his/her Units and will be stated in the Offering Document.

14.48 **"Redemption Form"** means a standardized form prescribed by the Management Company to be duly filed by the investor to redeem Units and will be stated in the Offering Document.

14.49 **"Redemption Price"** means the amount to be paid to the relevant Holder upon redemption of that Unit, such amount to be determined pursuant to this document.

14.50 **"Register" means** the Register of the Unit Holders kept pursuant to the Rules[1] or Regulations and the Trust Deed.

14.51 **"Regular Interval"** means monthly, quarterly, half year or annual periods.

14.52 **"Relevant Date"** means the date on which the Management Company decides to distribute the profits (if any).

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

14.54 **"Sales Load"** means the Front-end Load, Back-end Load and the Contingent Load.

14.55 **"SECP"** means Securities and Exchange Commission of Pakistan

14.56 **"Special Instruction Form"** means a standardized form prescribed by the Management Company to be duly filed by the investor to change his/her particulars and will be stated in the Offering Document.

14.57 **"Stock Exchange"** means the Karachi Stock Exchanges, Lahore Stock Exchange, Islamabad Stock Exchange or any other stock exchange registered under the Securities and Exchange Ordinance, 1969.

14.58 **"Subscription Day"** means every Business Day excluding pubic holiday provided that the Management Company may with the prior written consent of the Trustee and upon giving not less than seven days notice in the newspapers declare any particular Business Day or days not to be a Subscription Day.

14.59 **"Transaction Costs**" means the costs incurred or estimated by the Management Company to cover the costs (such as, but not restricted to, brokerage, Trustee charges, taxes or levies on transactions, etc.) related to the investing or disinvesting activity of the Trust's portfolio, *inter alia*, necessitated by creation or cancellation of Units, which costs may be added to the NAV for determining the Offer Price of Units or to be deducted form the NAV in determining the Redemption Price.

**1. Amended on December 14, 2010**

14.60 **"Transfer Agent"** means a company including a Bank that the Management Company shall appoint for performing the Transfer Agent Functions. The Management Company may itself perform the Transfer Agent Function.

14.61 **"Transfer Agent Functions"** means the functions with regard to:

a) Maintaining the Register, including keeping a record of change of addresses/other particulars of the Holders;
b) Issuing account statements to the Holders;
c) Issuing Certificate, including Certificates in lieu of undistributed income to Holders;
d) Canceling old Certificates on redemption or replacement thereof;
e) Processing of applications for issue, redemption, transfer and transmission of Units, recording of pledges, liens and changes in the data with regard to the Holders;
f) Issuing and dispatching of Certificates;
g) Dispatching income distribution warrants, and bank transfer intimation and distributing bonus Units or partly both and allocating Units to Holders on re-investment of dividends;
h) Receiving applications for redemption and transfer/transmission of Units directly from Holder or legal representatives or through Distributor;
i) Maintaining record of lien/pledge/charge; and
j) Keeping record of change of addresses/other particulars of the Holders.

14.62 **"Transfer Form"** means a standardized form prescribed by the Management Company to be duly filed by the investor to transfer Units and will be stated in the Offering Document.

14.63 **"Trust Deed"** means this trust deed executed between the Management Company and the Trustee along with all the exhibits appended thereto.

14.64 **"Trust Property"** ~~shall consist of:~~

~~i. The aggregate proceeds of all Units issued from time to time after deducting the sum of: (a) Duties and Charges; and (b) applicable Sales Load;~~
~~ii. All Investment and all income, profit (including accrued profits) and other benefits arising there from and all cash and other assets movable or immovable and property of every description (including present and future actionable claims) for the time being held or deemed to be held upon trust by the Trustee for the benefit of the Holders pursuant to this Trust Deed; and~~
~~iii. Amounts standing to the credit of the Redemption Account, including profits accruing therein, until, from time to time, such amounts (or part thereof) are actually paid to Holders upon receipt of a request by such Holders to redeem their Units in accordance with the provisions of this Trust Deed, it being clarified that Trust Property does not include any amount standing to the credit of the Distribution Account.~~

"Trust Property" means the aggregate proceeds of the sale of all Units after deducting therefrom or providing thereout any applicable Front-end Load and Duties and Charges and transaction costs and any other expenses chargeable to the Fund and after adding thereto any Back-end Load as specified in the Offering Document; and includes the Investment and all income, profit and other benefits arising therefrom and all cash, bank balances and other assets 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 Holders pursuant to this Deed but does not include any amount standing to the credit of the Distribution Account subject to Clause 3.10.1.10[1]

14.65 **"Trust" or "Unit Trust" or "Fund" or "NSF" "NAFA Stock Fund" or "Scheme"** means the Unit Trust constituted by the Trust Deed for continuous offers for sale of Units.

14.66 **"Unit" (Growth Unit or Income Unit)** means one undivided share in the Trust, and where the context so indicates, a fraction thereof.

**1. Amended on December 14, 2010**

14.67 *"**Regulations**" mean the Non-Banking Finance Companies and Notified Entities Regulations 2008 and the Schedules and Forms attached to it, as amended or substituted from time to time. In the Trust Deed any reference to Rules (as defined in Clause 35.52) shall be deemed to include a reference to these Regulations.*[1]

14.68 ***"Supplemental Deed"** means a deed supplemental to this Deed, executed by the Management Company and the Trustee, after seeking approval of the SECP, to modify, add to, alter and amend or amend and restate the provisions of this Deed or any other Supplemental Deed in such manner and to such extent as may be considered expedient for all purposes, which shall be consolidated, read and construed together with this Deed.*[1]

14.69 ***"Supplementary Offering Document"** means a document issued to modify, add to, alter and amend, amend and restate or to make any other amendment to the Offering Document in such manner and to such extent as considered expedient for all purposes by the Management Company, with the consent of the Trustee, after seeking approval of the SECP, and the same shall be consolidated, read and construed together with the Offering Document*[1]

Words and expressions used but not defined herein shall have the meanings assigned to them in the Act and Rules, words importing persons include corporations, words importing the masculine gender include the feminine gender, words importing singular include plural and words "written" or "in writing" include printing, engraving lithography, or other means of visible reproduction. The headings and table of contents are for convenience only and shall not affect the construction of this Trust Deed.

## 15. ARBITRATION

In the event of any disputes arising out of the Trust Deed or this Offering Document between the Management Company on the one part and the Trustee on the other part, including as to the respective rights and obligations of the Management Company and the Trustee, as well as those relating to the interpretation of the terms and conditions of the Trust Deed and/or the Offering Document relating to the Unit Trust, the same shall be referred to arbitration by two arbitrators, one to be appointed by the Management Company and the other to be appointed by the Trustee. In the event of lack of consensus between the two arbitrators, the matter shall be referred to an umpire, to be selected by the two arbitrators before commencement of the reference. The unanimous decision of both the arbitrators, or the decision of the umpire, as the case may be, shall be final and binding upon both the Parties. The arbitrators and the umpire shall be selected from amongst, senior partners of renowned firms of chartered accountants, or senior partners of renowned Law Firms, or senior bankers or senior members of the Karachi Stock Exchange (Guarantee) Limited, (who may even be the heads of corporate members). The venue of the arbitration shall be Karachi. The arbitration shall be conducted in accordance with the Arbitration Act, 1940.

**Subject to Arbitration Clause above applicable between the Management Company and the Trustee inter se, each party, including the Unit Holders, irrevocably submit to the exclusive jurisdiction of the courts at Karachi.**

**1. Amended on December 14, 2010**

# ANNEXURE A

**Central Depository Company of Pakistan Limited**
**Tariff Structure for Trusteeship of Open-ended Mutual Funds (Unit Trusts)**

The Trustee remuneration shall consist of reimbursement of actual custodial expenses/ charges plus the following tariff:

| **Net Assets** | **Tariff** |
|---|---|
| Up to Rupees one billion | Rs. 700,000/- (Rupees Seven Hundred Thousand only) or 0.20% p.a. of NAV, whichever is higher. |
| Exceeding Rupees one billion | Rs. 2,000,000/- (Rupees Two Million only) plus 0.10% p.a. of NAV exceeding Rs. 1,000 million |

# ANNEXURE B

## Current Level of Front-end and Back-end Loads

~~**Effective from Close of Initial Period**~~

**% of NAV**

~~Front End Load: 3.00%~~

~~Back End Load : 0.00%~~

| | | |
|---|---|---|
| Front End Load: | Amount less than Rs.16 million, Front end load is up to | 0% to 3% |
| | Amount equal to or more than Rs.16 million, Front end load is | 0% |
| Back End Load: | | 0% |

# ANNEXURE C

## LIST OF DISTRIBUTION OFFICES

**National Fullerton Asset Management Limited**

**National Bank of Pakistan**

**NIB Bank Limited**

**Please note that the above branches may change from time to time as per the discretion of the Management Company. The Trustee will be informed accordingly.**

**The Management Company may also appoint Investment Facilitators at its sole discretion from time to time. The Management Company may appoint additional distributors or investment facilitators or change any one of the existing ones from time to time.**

# ANNEXURE D

**Forms**

The following Forms are attached herewith;

| **Type of Form** | **Form Reference** |
|---|---|
| Account Opening Form | NAFA - 01 |
| Investment Form | NAFA - 02 |
| Redemption Form | NAFA - 03 |
| Transfer Form | NAFA - 04 |
| Pledge Form | NAFA - 05 |
| Exchange of Unit Form | NAFA - 06 |
| Special Instructions Form- Change in Unit Holder Particulars | NAFA - 07 |