

**First Supplementary Offering Document of
NAFA Islamic Active Allocation Fund - I (NIAAF - I)**

**Offering
NAFA Islamic Active Allocation Plan II (NIAAP - II)**

Managed by NBP Fullerton Asset Management Limited, a public limited company incorporated under companies' ordinance 1984 and licensed under Non Banking Finance Companies (Establishment and Regulation) Rules 2003.

SECP has approved this Supplementary Offering Document vide its letter No. **SCD/AMCW/NAFA/252/2016 dated January 18, 2016**, under regulation 54 of NBFC Regulations 2008. It must be clearly understood, that in giving this approval, SECP does not take any responsibility of the financial soundness of the Plan nor for the accuracy of any statement made in this Supplementary Offering Document

1. Introduction

Under NAFA Islamic Active Allocation Fund- I, NBP Fullerton Asset Management Limited (NAFA) shall provide a new allocation plan, namely NAFA Islamic Active Allocation Plan - II (NIAAP- II)

This new allocation plan shall provide investors a means to provide investors an opportunity to earn attractive return from an actively managed portfolio of Shari'ah Compliant Equity Fund and Income Fund.

Approved "Collective Investment Schemes":

Following table provides the list of Collective Investment Schemes in which the Allocation Plans will invest as per their objectives:

Categories of Collective Investment Schemes	
Islamic Income	Islamic Equity
NAFA Active Allocation Riba Free Savings Fund	NAFA Islamic Active Allocation Equity Fund

The Management Company may also invest in any other Collective Investment Schemes available to it with the prior approval of the SECP.

2. Investment Objective of - NAFA Islamic Active Allocation Plan II (NIAAP - II)

The objective of NIAAP-II is to provide investors an opportunity to earn attractive return from an actively managed portfolio of Shari'ah Compliant Equity Fund and Income Fund.

3. Benchmark :

The Benchmark of NAFA Islamic Active Allocation Plan – II shall be Weighted Average Daily Return of KMI-30 Index and 6 month deposit rate of A- rated (and above) rated Islamic Banks or windows of Scheduled Islamic Banks based on the respective Plan's actual investment in the underlying Equity and Income Fund and/or in cash and/or near cash instruments.

4. Investment Policy:

NAFA Islamic Active Allocation Plan - II, in line with its Investment Objectives, will invest in Authorized Investments.

The Allocation Plan intends to dynamically switch between equity asset class and moderate risk income asset class via dedicated funds managed by NAFA and Bank Deposits. Presently, NAFA Islamic Active Allocation

Equity Fund for equity asset class and NAFA Active Allocation Riba Free Savings Fund for moderate risk income asset class.

The Management Company shall actively manage the allocations, from time to time, based on the Fund Manager's outlook on the authorized asset-classes, subject to the specified limits as per the allocation plan.

These factors could include near term view on the direction of stock market based on macro economic variables, domestic and regional political stability, law and order situation, investor confidence, and specific prospective investee companies financial indicators. These factors will be evaluated based on relative considerations like Policy Rate, yields on GOP Ijarah Sukuk and other Government Securities, expected growth in earnings of companies, level of stock market and individual companies in the Shari'ah compliant universe approved by Shari'ah Advisor.

The asset allocation is aimed at providing optimum returns through participation in Shari'ah Compliant Equity CIS, and Shari'ah Compliant Income CIS and Shari'ah complaint Bank Deposits for liquidity purpose

Authorized Investments

Authorized Investments	Allocation (Min % - Max %)	Risk Profile
NAFA Active Allocation Riba Free Savings Fund	0%-100 %	Moderate
NAFA Islamic Active Allocation Equity Fund	0%-100%	High
Shari'ah compliant bank deposits (excluding TDRs) in Islamic Banks / Islamic Windows of banks (A- and above rated).	0%-10%	Low

There may be times when cash in Shari'ah compliant bank deposits exceed the above mentioned exposure limit to meet the liquidity needs to pay redemption proceeds.

- Investment Policy of the Allocation Plan shall be in accordance with the Rules, Regulations and directives issued by SECP and the Shari'ah Advisor and as specified in the Offering Document.
- The Allocation Plan shall invest only in Authorized Investment as approved by the Commission and Shari'ah Advisor.

4.1 Risk Control in the Investment Process

In line with the Investment Objective of NIAAP - II, the Investment Committee shall seek to manage risk through proactive asset allocation driven by careful assessment of prevailing market risk (s), credit risk, and Macro-economic risk.

4.2 Management Company Can Alter Investment Mix

The Management Company can from time to time alter the weightings, subject to the specified limits as per Clause 4 of this Offering Document, between the various types of investments if it is of the view that market conditions so warrant.

4.3 Changes in Investment Policy

The investment policy will be governed by directives of the Shar'iah Advisor and the Regulations and/or SECP directives. Any Fundamental change in the Investment Policy will be implemented only after obtaining prior approval from SECP and Shari'ah Advisor and giving 90 days prior notice to the Unit Holders as specified in the regulation.

5. Initial Offer and Initial Period and Transaction in Units after Initial Offering Period

Initial Offer is made during the Initial Period which will be **03** Business Days for NAFA Islamic Active Allocation Plan –II and begins at the start of the banking hours on **2 March 2016** and shall end at the close of the banking hours on **4 March 2016**. During the Initial Period, the Units shall be offered at Initial Price. A front end load may also be charged during the initial period. No Units shall be redeemable during the Initial Period of Offer.

Subsequent to the Initial Period, the offer of Units of NIAAP-II shall discontinue. Subsequently the management company with the approval of the commission may issue Units of the Allocation Plan at their Offer price and redeem those units at the Redemption Price, which shall be calculated on the basis of Net Asset Value (NAV) of the Allocation Plan. The Units will be available for purchase and redemption on each Dealing Day. NAV will be published on the Management Company's and MUFAP's website.

6. Basic features of NIAAP – II

Terms / Duration of the allocation plan:

The Term/ Duration of the allocation plan is Perpetual. However, the Initial Maturity of the plan shall be two (2) years from the close of the subscription period. Management Company may open the subscription of units after initial maturity with the prior approval of the Commission.

Front-end load: 3 %

No sales load will be charged if the investor approaches directly for investment or where Transactions are done online, through website of the AMC.

Management Fee:

1. Where underlying investment is a Collective Investment Scheme managed by the Management Company (NAFA), no additional management fee will be charged.
2. Where cash in bank accounts is maintained, the management fee of 1.25% will be charged on average annual net assets that have been placed in cash and bank accounts.

Back-End Load: Nil

Contingent Load: Nil

BUSINESS HOURS AND CURRENT CUT OFF TIME

Business Hours	Cut off Time
Monday to Friday 9:00am to 6:00pm	Monday to Thursday 9:am to 5pm Friday 9am to 5:30pm

The Cut-Off Time may vary from time to time as may be determined by the Management Company, under intimation to the trustee and SECP and the same shall be communicated to the Unit Holders before such unit transactions shall be effectuated.

7. Bank Accounts

- (a) The Trustee, at the request of the Management Company, shall open Bank Account(s) in Islamic banking institutions/branches approved by Shari'ah Advisor titled **CDC Trustee NAFA Islamic Active Allocation Plan - II** for the Unit Trust at designated Bank(s) inside or outside Pakistan, subject to the

relevant laws, Trust Deed, Rules and Regulations, for collection, investment, redemption or any other use of the Trust's Funds.

- (b) The Management Company may also require the Trustee to open Bank Account(s) in Islamic banking institutions/branches approved by Shari'ah Advisor as Distribution Account(s) for 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.
- (c) All bank charges for opening and maintaining Bank Accounts in Islamic banking institutions/branches approved by Shari'ah Advisor for the Trust shall be charged to the Fund.
- (d) All income, profit etc. earned in the Distribution Account(s), including those accruing on unclaimed dividends, shall form part of the Trust Property for the benefit of the Unit Holders and shall be transferred periodically from the Distribution Account(s) to the main Shariah compliant Bank Account of the Trust.
- (e) The amounts received from the Investors before the Initial Period shall be deposited in a Bank Account in Islamic banking institutions/branches approved by Shari'ah Advisor of the Fund and any income, profit etc earned and/or accrued on the investments of that amount up to and including the day before the opening of Initial Period shall not form part of the Trust Property and shall be paid by the Management Company or the Trustee to those Investors participated before the Offering Period, either in cash or in additional Units as selected by those Investors, in proportion of their investments.
- (f) The Trustee shall, if requested by the Management Company at its discretion also open a separate Current Account / Shariah complaint saving account in Islamic banking institutions/branches approved by Shari'ah Advisor 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 Shari'ah compliant unit trusts and the Shari'ah compliant administrative plans that are managed by 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 the Management Company mentioned above, there are similar provisions in the trust deeds of such Funds and have Trustee as common between them. Such accounts shall be in the title of **CDC Trustee NAFA Funds**.
- (g) All bank accounts should require prior approval of the Shari'ah Advisor before opening.

8. Purchase of Units

- (a) After opening an account an account holder may purchase Units of the Fund using the Investment Application Form attached to this Offering Document. Payment for the Units must accompany the form.
- (b) Application for Purchase of Units shall be made by completing the prescribed Investment Application Form and submitting it to the authorized branches of the Distributor or to the Management Company together with the payment by cheque, bank draft, pay order or online transfer as the case may be in favor of Trustee Bank Account and crossed "Account Payee only" as specified below;
 - Demand draft or Pay order in favor of **CDC Trustee – NAFA Islamic Active Allocation Plan- II**
 - Online transfer to Bank Account(s) of **CDC Trustee – NAFA Islamic Active Allocation Plan- II**
 - Cheque account payee only marked in favor of **CDC Trustee – NAFA Islamic Active Allocation Plan- II**

9. TAXATION AND ZAKAT FOR UNIT HOLDER:

In order to understand the taxation policy and Zakat, the unit holder should refer to clause 7 of the Offering Document of NAFA Islamic Active Allocation Fund -1.

10. RISK DISCLOSURE:

Investors 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 the Fund is subject to market price fluctuations and other risks inherent in all such investments. The risks emanate from various factors that include, but are not limited to:

- (1) **Equity Risk** - Companies issue equities, or stocks, to help finance their operations and future growth. The Company's performance outlook, market activity and the larger economic picture influence the price of a stock. Usually when the economy is expanding, the outlook for many companies is good and the stock prices may rise and vice versa.
- (2) **Government Regulation Risk** - Government policies or regulations are more prevalent in some securities and financial instruments than in others. Funds that invest in such securities may be affected due to change in these regulations or policies, which directly or indirectly affect the structure of the security and/or in extreme cases a governmental or court order could restrain payment of capital, principal or income.
- (3) **Credit Risk** - Credit Risk comprises Default Risk and Credit Downgrade Risk. Each can have negative impact on the value of securities:
 - **Default Risk** - The risk that the issuer of the security will not be able to pay the obligation, either on time or at all;
 - **Credit Downgrade Risk** – *The risk that credit rating of a security may be downgraded.*
- (4) **Price Risk** - The price risk is defined as when the value of the Fund, due to its holdings in securities rises and falls as a result of change in market prices of those securities.
- (5) **Liquidity Risk** – Liquidity risk is the possibility of deterioration in the price of a security in the Fund when it is offered for sale in the secondary market.
- (6) **Settlement Risk** – At times, the Fund may encounter settlement risk in purchasing / investing and maturing / selling its investments which may affect the Fund's performance etc.
- (7) **Reinvestment Rate Risk**

In a declining profit/ markup rate economic environment, there is a risk that maturing securities or coupon payments will be reinvested at lower rates, which shall reduce the return of the Fund compared to return earned in the preceding quarters.
- (8) **Events Risk** - There may be adjustments to the performance of the Fund due to events including but not limited to, natural calamities, market disruptions, mergers, nationalization, insolvency and changes in tax law.
- (9) **Redemption Risk** - There may be special circumstances in which the redemption of Units may be suspended or the redemption payment may not occur within six working days of receiving a request for redemption from the investor.
- (10) **Shari'ah non-compliance Risk** - The risk associated with non-adherence of Shari'ah guidelines and directives.
- (11) **Sovereign Risk** - There may be special circumstances where there is a probability that a country may not pay its financial obligations on time.

The performance of the Fund may be affected by changes in risk associated with trading volumes, liquidity and settlement systems in equity and debt markets

11. WARNING AND DISCLAIMER

a. Warning

1. If you are in any doubt about the contents of this Offering Document, you should consult your bank manager, Legal advisor, Shariah Adviser or other financial advisor. The price of the Units of this Plan and the income of this Plan (from which distributions to Unit Holders is made) may increase or decrease.
2. Investment in this Plan is suitable for investors who have the ability to take the risks associated with financial market investments. Capital invested in the financial markets could in extreme circumstances lose its entire value. The historical performance of this Plan, other Funds and Plans managed by the Management Company, the financial markets, or that of any one security or transaction included in the Fund's portfolio will not necessarily indicate future performance.

b. Disclaimer

1. The Units of NIAAP-II are not bank deposits and are neither issued by, insured by, obligation of, nor otherwise supported by SECP, any Government Agency, 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 Pre-IPO Investors or any other bank or financial institution. The portfolio of NIAAP-II is subject to market risks and risks inherent in all such investments.
2. Plan's target return/ dividend range cannot be guaranteed. Plan's Unit price is neither guaranteed nor administered / managed; it is based on the NAV that may go up or down depending upon the factors and forces affecting the capital markets and interest rates.