

**14th SUPPLEMENTAL OFFERING DOCUMENT
OF
NBP RIBA FREE SAVINGS FUND
(Formerly: NAFA Riba Free Savings Fund)**

Existing Clause	Revised/New Clause
<p>2.1 Investment Objective</p> <p>An open-end Islamic Income scheme, with the objective to provide preservation of capital and earn a reasonable rate of return along with a high degree of liquidity by investing in short-term Shariah compliant banks and money market/debt securities.</p>	<p>2.1 Investment Objective</p> <p>An open-end Islamic Income scheme, with the objective to provide preservation of capital and earn a reasonable rate of return along with a high degree of liquidity by investing in Shariah compliant banks and money market/debt securities.</p>
<p>Rationale</p> <p>To allow long term debt as well as short term debt securities in line with the Circular no. 7 of 2009.</p>	
<p>2.1.1 Investment Policy</p> <p>NAFA RIBA FREE SAVINGS FUND (NRFSF), in line with its Investment Objectives, will invest in Authorized Investments.</p> <p>NRFSF intends to mitigate three key risks in the Fund through Investment Policy parameters which are as under:</p> <p>1. Credit Risk: This risk is mitigated through the Investment Policy parameter whereby NRFSF only invests in Shariah Compliant instruments (AA- and above rated) and bank deposits (A and above rated) from a credit rating agency duly approved by the Commission.</p> <p>2. Yield Curve Risk: Mitigation of this risk is through an Investment Policy parameter whereby NRFSF would not invest in any security having duration of more than six months.</p> <p>3. Liquidity Risk: Mitigation of this risk is through Investment Policy parameters whereby NRFSF would not invest in any security having a</p>	<p>2.1.1 Investment Policy</p> <p>NBP RIBA FREE SAVINGS FUND (NRFSF), in line with its Investment Objectives, will invest in Authorized Investments.</p>

maturity of more than six months.

Rationale

Removed description of risks from investment policy as these are covered in 2.4 Risk Disclosures.

2.1.1 Investment Policy

Authorized Investments

NAFA RIBA FREE SAVINGS FUND is an Islamic Income Fund and its “Authorized Investments” would primarily comprise of Shariah Compliant diversified portfolio of bank deposits and money market instruments. The allocation between various investments will be subject to i) regulatory constraints as applicable to Shariah Compliant Income scheme ii) minimum rating and maximum maturity constraints iii) minimum and maximum exposure limits and iv) prevailing market conditions and opportunities. NRFSF will comprise the following investments:

NAFA RIBA FREE SAVINGS FUND - AUTHORIZED INVESTMENTS

Sr. No.	Description	Entity Rating	Maximum Exposure Limit	Minimum Exposure Limit	Maximum Maturity
1.	Shariah Compliant Securities issued by Federal Government or a provincial Government or a corporation wholly owned or controlled, directly or indirectly, by the Federal Government or a Provincial Government and guaranteed by the Federal Government and any other security as the Federal Government may, by notification in the official Gazette, declare, to the extent determined from time to time, to be a Government Security;	AAA	75%	0	3 years

2.1.1 Investment Policy

Authorized Investments

NBP RIBA FREE SAVINGS FUND is an Islamic Income Fund and its “Authorized Investments” would primarily comprise of Shariah Compliant diversified portfolio of bank deposits, money market and debt instruments/securities. The allocation between various investments will be subject to i) regulatory constraints as applicable to Shariah Compliant Income scheme ii) minimum rating and maximum maturity constraints iii) minimum and maximum exposure limits and iv) prevailing market conditions and opportunities. NRFSF will comprise the following investments:

NBP RIBA FREE SAVINGS FUND - AUTHORIZED INVESTMENTS

Sr. No.	Description	Entity/Instrument Rating	Maximum Exposure Limit	Minimum Exposure Limit	Maximum Maturity
1.	Shariah Compliant Securities issued by Federal Government or a provincial Government or a corporation wholly owned or controlled, directly or indirectly, by the Federal Government or a Provincial Government and guaranteed by the Federal Government and any other security as the Federal Government may, by notification in the official Gazette, declare, to the extent determined from time to time, to be a Government Security;	AAA	75%	0	10 years
2.	Placement of riba free term deposits with Islamic banks or Islamic financial institutions or with Islamic	A- & above	75%	0%	Upto 6 months

2.	Placement of riba free term deposits with Islamic banks or Islamic financial institutions or with Islamic branches /windows of other banks or financial institutions..	A- & above	75%	0%	6 months
3	Placement of riba free deposits with Islamic banks or Islamic financial institutions or with Islamic branches /windows of other banks or financial institutions, excluding Term Deposits.	A- & above	100%	25%	N/A
4.	Any other Shariah compliant structure, instrument or security including but not limited to Certificate of Deposit (CoD), Musharaka (CoM), Musharaka, Mudaraba, Ijarah, Murabahah (including commodity Murabaha), Salam, Istisna etc provided by Federal Government, Provincial Government, Local Government, Government Agencies, Autonomous Bodies, public sector entities, private sector entities, licensed Islamic Banks and Licensed Islamic Banking windows of conventional Banks as per the guidelines of the Fund's Shariah Advisor.	AA- and above	50%	0%	6 months
5.	Shariah Compliant money market instruments.	AA- and above	50%	0%	6 months
	Nil				
	Nil				
6.	Any other securities or instruments that may be permitted or approved under the SECP Rules, Regulations or any other directive and the Shariah Advisor from time to time.	AA- and above	30%	0%	6 months

	branches /windows of other banks or financial institutions.		15%	0%	Exceeding 6 months
3	Placement of riba free deposits with Islamic banks or Islamic financial institutions or with Islamic branches /windows of other banks or financial institutions, excluding Term Deposits and Ijara Sukuk of less than 90 days Maturity	A- & above	100%	25%	N/A
4.	Any other Shariah compliant structure, instrument or security including but not limited to Commercial Paper ,Certificate of Deposit (CoD), Musharaka (CoM), Musharaka, Mudaraba, Ijarah, Murabahah (including commodity Murabaha), Salam, Istisna etc provided by Federal Government, Provincial Government, Local Government, Government Agencies, Autonomous Bodies, public sector entities, private sector entities, licensed Islamic Banks and Licensed Islamic Banking windows of conventional Banks as per the guidelines of the Fund's Shariah Advisor.	A+ and above	50%	0%	Upto 6 months
			15%	0%	Exceeding 6 months
5.	Shariah Compliant money market instruments.	A+ and above	50%	0%	Upto 6 months
			15%	0%	Exceeding 6 months
6.	Shariah Complaint debt securities including Sukuks	A+ and above	75%	0%	10 years
7.	Shariah Compliant Spread Transactions	N/A	40%	0%	6 months
8.	Any other securities or instruments that may be permitted or approved under the SECP Rules, Regulations or any other directive and the Shariah Advisor from time to time.	A+ and above	30%	0%	5 years

Deletion of the following text:

*Minimum Entity rating has to be AA- for NBFCs minimum rating has to be AA;
Instrument rating where available should be minimum AA-

*Minimum Entity rating has to be AA- for NBFCs minimum rating has to be AA;
Instrument rating where available should be minimum AA-

Rationale To allow long term debt securities, TDR and spread transactions in line with the Circular no. 7 of 2009. Clause for minimum entity and instrument rating removed as requirement for both included in the table.	
2.3 Investment Restrictions i) Take exposure in spread transactions, etc.; j) Take exposure in Sukuks other than Shahriah Compliant Government Securities;	2.3 Investment Restrictions <i>Deletion of the following text:</i> i) Take exposure in spread transactions, etc.; j) Take exposure in Sukuks other than Shariah Compliant Government Securities;
Rationale To allow investment in Sukuks and spread transactions in line with the Circular no. 7 of 2009.	
2.3 Investment Restrictions <ul style="list-style-type: none"> Rating of any money market security in the portfolio shall not be lower than AA-. 	2.3 Investment Restrictions <ul style="list-style-type: none"> Rating of any security in the portfolio shall not be lower than A-. Weighted average time to maturity of net assets shall not exceed four years and this condition shall not apply to securities issued by the Federal Government.
Rationale To allow investment in debt securities with rating in line with the Circular no. 7 of 2009. Weighted average maturity restricted in line with Circular no. 7 of 2009.	
2.4 Risk Disclosure (2) Reinvestment Rate Risk - NRFSF will maintain a short duration and maturity of its portfolio. In a declining interest rate economic environment, there is a risk that maturing securities will be reinvested at lower rates, which shall reduce the return of the Fund compared to return earned in the preceding months.	2.4 Risk Disclosure (2) Reinvestment Rate Risk - In a declining interest/markup rate economic environment, there is a risk that maturing securities/ coupon payments will be reinvested at lower rates, which shall reduce the return of the Fund compared to return earned in the preceding months.

<p>(3) Price Risk - The Fund bears minimal price risk because of its short duration. The price risk is defined as when the value of the fund, due to its holdings in such securities rises and falls as a result of change in interest rates. The magnitude of rise and fall in the value of your Fund will be lower due to its short duration in comparison to a Fund with long duration.</p> <p>(4) Credit Risk - The Fund bears a low credit risk because of its mandate to invest mainly in bank deposits (A rated & above) and money market instrument (AA- rated & above). NRFSF also plans to allocate a part of its portfolio in Shariah Compliant Securities which bear low credit risk.</p> <p>(5) Liquidity Risk - The Fund carries a low liquidity risk because of its objective to maintain a short duration. The low liquidity risk profiles will be further ensured by virtue of its investment in short-maturity banks deposits and money market instruments.</p>	<p>(3) Price Risk - The price risk is defined as when the value of the fund, due to its holding in such securities rises and falls as a result of change in interest rates.</p> <p>(4) Credit Risk - Credit Risk comprises Default Risk and Credit Spread Risk. Each can have negative impact on the value of the income and money market instruments including Sukuks and its share price etc.</p> <p>(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.</p>
<p>Rationale</p> <p>Descriptions of risks amended to be consistent with the changes made in Authorized Investments and in line with Circular no. 7 of 2009.</p>	