

**11th SUPPLEMENTAL OFFERING DOCUMENT
OF
NBP FINANCIAL SECTOR INCOME FUND**

W.e.f 08-December-2020

Existing Clause							Revised/New Clause						
2.1.1 Investment Policy							2.1.1 Investment Policy						
2. Interest Rate Risk: Mitigation of this risk is through an Investment Policy parameter whereby NFSIF weighted average duration of net assets will not exceed one year.							2. Interest Rate Risk: Mitigation of this risk is through an Investment Policy parameter whereby NFSIF weighted average duration of net assets will not exceed two years.						
Rationale													
Increased weighted average duration as allowed by the Regulations.													
2.1.1 Investment Policy							2.1.1 Investment Policy						
NAFA FINANCIAL SECTOR INCOME FUND - AUTHORIZED INVESTMENTS							NBP FINANCIAL SECTOR INCOME FUND - AUTHORIZED INVESTMENTS						
Sr. No.	Description	Entity Rating	Maximum Exposure Limit	Minimum Exposure Limit	Maximum Maturity	Financial Sector	Sr. No.	Description	Entity Rating	Maximum Exposure Limit	Minimum Exposure Limit	Maximum Maturity	Financial Sector
1	Government Securities;	AAA	30%	0%	5 Years	Financial Sector	1	Government Securities;	AAA	30%	0%	5 Years	Financial Sector
2	Savings deposits, excluding Term Deposits with scheduled banks, T-Bills up to 90 days maturity	A and above	100%	25%	N/A	Minimum Exposure to Financial Sector will be 70%.	2	Cash and near cash instruments which include cash in bank account (excluding TDRs), government securities not exceeding 90 days maturity**	A and above	100%	25%	N/A	Minimum Exposure to Financial Sector will be 70%.
3	Term Deposit Receipts with scheduled Banks	A and above	50%	0%	6 months		3	• Term Deposits Receipts • COMs / COIs / LOPs / COIs / & other Money Market Instruments issued by Financial Institutions	A and above (banks) AA- and above (others)	15%	0%	Over 6 months	
4	Money market instruments including COIs, LOPs, CODs etc	AA- and above	50%	0%	6 months					75%	0%	Upto 6 months	
5	Commercial Paper	AA- and above	50%	0%	12 months		4	Commercial Papers, short term sukus etc. and any other money market securities;	AA- and above	50%	0%	12 months	
6	Reverse Repo Against Government Securities, where maximum maturity of the underlying security will be one year.	AA- and above	50%	0%	12 months		5	Reverse Repo Against Government Securities, where maximum maturity of the underlying security will	AA- and above	50%	0%	12 months	

7	Debt securities including TFCs/ Sukuks	For Banks: Instrument rating A+ and above; bank entity rating AA- & above For non-bank entities: AA- and above*	75%	0%	10 years	
8	Any other securities or instruments that may be permitted or approved under the SECP Rules, Regulations or any other directive from time to time.	AA- and above	30%	0%	6 months	
* If entity is unrated minimum credit rating has to be "AA"						

	be one year.					
6	Debt securities including TFCs/ Sukuks	For Banks: Instrument rating A+ and above; bank entity rating AA- & above For non-bank entities: AA- and above*	75%	0%	10 years	
7	MTS, 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 from time to time.	AA- and above	30%	0%	6 months	
* If entity is unrated minimum credit rating has to be "AA"						
** (calculated on the basis of average for each calendar month)						

Rationale

Added MTS and spread transactions as authorized investments as allowed by Circular 7 of 2009 for Income Schemes as below:

2.9 Income Scheme

2.9.1 Investment avenues - government securities, cash in bank account, money market placements, deposits, certificate of deposits (COD), certificate of musharakas (COM), TDRs, commercial paper, reverse repo, TFC/ Sukuk, MTS²¹, spread transactions;

Added cumulative limit for TDRs, money market securities which are non-traded as per by Circular 7 of 2009:

2.9.4 Not more than 15% of the net assets shall be invested in non-traded securities including reverse repos, bank deposits, certificates of investments (COI), certificate of musharakas (COM) and anything over 6 months' maturity which is not a marketable security. The exposure limit of 15% is on cumulative basis as percentage of the overall net assets and not for each type of non-traded instrument²⁵;

Amended Cash and cash equivalents limits to be calculated on monthly average basis.