

11th SUPPLEMENTAL OFFERING DOCUMENT

OF

NAFA ISLAMIC ACTIVE ALLOCATION FUND – II

(pertaining to NAFA Islamic Active Allocation Plan – VI)

w.e.f 26th November 2021

Existing Clause	Revised/New Clause												
<p>1.10 Approved “Collective Investment Schemes”:</p> <p>Following table provides the list of Collective Investment Schemes in which the Allocation Plans will invest, as per their objectives:</p> <table border="1"> <thead> <tr> <th colspan="2">Categories of Collective Investment Schemes</th></tr> <tr> <th>Islamic Income</th><th>Islamic Equity</th></tr> </thead> <tbody> <tr> <td>NAFA Active Allocation Riba Free Savings Fund</td><td>NAFA Islamic Active Allocation Equity Fund</td></tr> </tbody> </table>	Categories of Collective Investment Schemes		Islamic Income	Islamic Equity	NAFA Active Allocation Riba Free Savings Fund	NAFA Islamic Active Allocation Equity Fund	<p>1.10 Approved “Collective Investment Schemes”:</p> <p>Following table provides the list of Collective Investment Schemes in which the Allocation Plans will invest, as per their objectives:</p> <table border="1"> <thead> <tr> <th colspan="2">Categories of Collective Investment Schemes</th></tr> <tr> <th>Islamic Income</th><th>Islamic Equity</th></tr> </thead> <tbody> <tr> <td>Any Shari’ah Compliant Income Fund managed by the Management Company</td><td>NBP Islamic Active Allocation Equity Fund</td></tr> </tbody> </table>	Categories of Collective Investment Schemes		Islamic Income	Islamic Equity	Any Shari’ah Compliant Income Fund managed by the Management Company	NBP Islamic Active Allocation Equity Fund
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<p>Rationale</p> <p>To allow investment in all Shariah Compliant Income Schemes managed by NBP Funds, to enhance potential performance of the plan as existing income fund’s performance is limited due to low fund size and high expense ratio.</p>													
<p>2.1.1.1 Investment Policy</p> <p>Authorized Investments</p> <p>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 with Islamic banks or Islamic windows of conventional banks. 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.</p> <p>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.</p> <p>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</p>	<p>2.1.1.1 Investment Policy</p> <p>Authorized Investments</p> <p>The Allocation Plan intends to dynamically switch between equity asset class and medium risk income asset class via funds managed by NBP Funds and Bank Deposits with Islamic banks or Islamic windows of conventional banks. Presently, NBP Islamic Active Allocation Equity Fund for equity asset class and Shariah Compliant Income Funds managed by NBP Funds for moderate/medium risk asset class.</p> <p>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.</p> <p>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</p>												

confidence, and specific prospective investee companies financial indicators. These factors will be evaluated based on relative considerations like Policy Rate, yields on GOP Ijara Sukuks 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/SSB.

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

Authorized Investments	Allocation (Min % - Max %)	Risk Profile
-NBP Active Allocation Riba Free Savings Fund	0% - 95 %	Moderate
NBP Islamic Active Allocation Equity Fund	0% - 95%	High
Shari'ah compliant bank deposits (excluding TDRs) in Islamic Banks / Islamic Windows of banks (A- and above rated).	5% - 10%	Low

The requirement of minimum cash and cash equivalent shall be 5% of net assets on monthly average calculated on daily basis.

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

- Investment Policy of each Allocation Plan under the Fund 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 Plans under this Scheme shall invest only in Authorized Investment as approved by the Commission and SSB. Details of the Allocation Plan(s) are disclosed in Offering Document.
- The Management Company will offer additional Allocation Plans with the prior consent of the Trustee and approval of the Commission and SSB from time to time and may announce the same by Supplementary Offering Documents without the need to alter Trust Deed.

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

Authorized Investments	Allocation (Min % - Max %)	Risk Profile
Shari'ah Compliant Income Funds managed by the Management Company	0% - 100%	Moderate to Medium
NBP 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% - 100%	Low

The requirement of minimum cash and cash equivalent shall be 5% of net assets on monthly average calculated on daily basis.

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Rationale

To allow investment in all Shariah Compliant Income Schemes managed by NBP Funds.

Limit for cash & equivalents increased to up to 100% to avail opportunities where bank's offered rates are higher than other avenues and minimum allocation set at 0% due to withdrawal of 5% minimum cash as per Direction 26 of 2017, and in line with Circular 7 of 2009.

Circular 7 of 2009:

4. Fund of Funds Scheme

- i) Such scheme shall invest its net assets in other schemes only;
- ii) Every such scheme shall mention its type with respect to asset class, e.g., equity fund of funds, income fund of funds etc. in its offering document;
- iii) Every such scheme will be invested either in units of other collective investment schemes as per its investment policy or in cash and/ or near cash instruments which include cash in bank accounts (excluding TDRs), and treasury bills not exceeding 90 days maturity;
- iv) Every such scheme shall ensure that it does not invest in the seed capital of any other collective investment scheme;
- v) A fund of fund scheme may also be established with the objective of investing in closed-end schemes.

Direction 26 of 2017:

The Securities and Exchange Commission of Pakistan, in exercise of power conferred under Section 282D of the Companies Ordinance, 1984, hereby withdraws the requirement of maintenance of 5% cash and near cash instruments in equity funds and fund of funds as earlier prescribed through Direction No. 2 of 2017, and subsequently amended through Direction No. 7 of 2017, with immediate effect.

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2.3 Investment Restrictions

(c) The Management Company on behalf of NAFA Islamic Active Allocation Fund - II or Allocation Plans under NIAAF- II shall maintain minimum cash and near cash instruments subject to applicable Regulations, Circulars or Directives issued by the Commission. The present limit for the fund is 5% of net assets.

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Cash and equivalents allowed 0%-100% due to withdrawal of 5% minimum cash as per Direction 26 of 2017:

The Securities and Exchange Commission of Pakistan, in exercise of power conferred under Section 282D of the Companies Ordinance, 1984, hereby withdraws the requirement of maintenance of 5% cash and near cash instruments in equity funds and fund of funds as earlier prescribed through Direction No. 2 of 2017, and subsequently amended through Direction No. 7 of 2017, with immediate effect.

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