

9th SUPPLEMENTAL
OFFERING DOCUMENT OF
FAYSAL ASSET ALLOCATION FUND
(FAAF)
(An Open Ended Asset Allocation Scheme)

MANAGED BY

FAYSAL ASSET MANAGEMENT LIMITED

The Faysal Asset Allocation Fund (the Fund/the Scheme/the Trust/the Unit Trust/FAAF) has been established through a Trust Deed (the Deed) dated through dated February 25, 2010, entered into and between Faysal 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”) and Non-Banking Finance Companies and Notified Entities Regulation, 2008 (“Regulations”).

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 Faysal Asset Allocation Fund under the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 and Non-Banking Finance Companies and Notified Entities Regulations 2008. The SECP has approved this Offering Document, under Regulation 54 of the NBFC & NE Regulations 2008.

Effective from **May 14, 2020** following amendments have been made to the Offering Document.

1) Amendment in clause 5.2 of Investment Policy as replaced as follow:

Faysal Asset Allocation Fund shall invest in assets as prescribed in Authorized Investments within the below specified allocated percentage of Net Asset Value of the Fund. The maximum and minimum weightings of the Fund at any time in the Authorized Investment shall be as follows:

S. No	Asset Classes	Minimum Rating	Minimum Exposure as % of Net Assets	Maximum Exposure as % of Net Assets
1	Cash and near cash instruments which include cash in Bank Accounts (excluding TDR), GOP ijara & Treasury Bills not exceeding 90 days maturity	Investment Grade	10%	100%
2	Government Securities – Treasury Bills, PIBs & GOP Ijara Sukuks.	Investment Grade	0%	90%
3	Deposits (Current / Saving / term deposits), Certificate of Deposits, Certificate of Investments, Certificate of Musharaka with NBFCs and Modaraba.	Investment Grade	0%	25%
4	Deposits (Current, Saving, term deposits), Certificate of Deposits, Certificate of Investments, Certificate of Musharaka with Microfinance Banks.	Investment Grade	0%	
5	Letter of Placement, Certificate of Deposit/ Investments, Certificate of Musharaka Certificate of Modaraba with Financial Institutions	Investment Grade	0%	50%
6	Term deposits with commercial banks	Investment Grade	0%	90%

7	Commercial Papers	Investment Grade	0%	25%
8	Reverse Repo against Government Securities or such other allowable securities, in accordance with the Regulations.	Investment Grade	0%	90%
9	Listed and Unlisted/ Rated Term Finance Certificates / Sukuks	Investment Grade	0%	90%
10	Margin trading or its replacement thereof	Investment Grade	0%	40%
11	Spread Transactions	Not Applicable	0%	50%
12	Investment in equity future contracts including equity linked Index Future Contracts	Not Applicable	0%	40%
13	Listed Equity Securities	Not Applicable	0%	90%
14	Preference Shares	Not Applicable	0%	50%
15	Exchange Traded Future Commodity Contracts	Not Applicable	0%	90%
16	Units of Real Estate Investment Trusts	Investment Grade	0%	50%
17	Investments Outside Pakistan will be subject to commission approval	Investment Grade	0%	30% of Funds Size or USD 15 million whichever is lower (with SECP and SBP approval)
18	Any other securities or instruments that may be permitted by the Commission	Investment Grade	0%	75%
<ul style="list-style-type: none"> • In case the Entity is not rated, Instrument Rating shall apply; • Rating of any Security/Entity in the portfolio shall not be lower than Investment Grade; 				

2) Amendment in clause 5.6 of Investment outside Pakistan as replaced as follow:

The Trustee shall, if requested by the Management Company, open Bank Accounts titled “CDC – Trustee Faysal Asset Allocation Fund” in foreign countries where investments are made on account of the Fund, if such investments necessitate opening and operation of Bank Accounts by the Trustee. For this purpose, the Trustee shall be deemed to be authorized to sign and submit the prescribed account opening forms of such Banks. The opening, operation and maintenance of such Bank Accounts in foreign countries shall always be subject to the approval of the SBP and SECP and the exchange control regulations, as well as any directives of the SBP and the Commission. Any such proposal by the Management Company shall be submitted to the Commission and SBP with the prior consent of the Trustee. While opening and operating any type of account and/or making investments in Outside Pakistan countries on the instructions of the Management Company, if the Trustee is required to provide any indemnities to Outside Pakistan parties then Trustee and the Fund would be counter indemnified by the Management Company to such extent.

3) Amendment in ‘Investment Restrictions and Exposure Limits’ of 5.7 as replaced as follow:

- (a) The Trust Property shall be subject to such exposure limits or other prohibitions as are provided in the Regulations, Trust Deed, this Supplemental Offering Document of the Fund, circulars and directives and shall also be subject to any exemptions that may be specifically given to the Fund by SECP and are explicitly mentioned under the heading Exceptions to Investment Restriction in this supplemental offering document or subsequently in writing. If and so long as the value of the holding in a particular company or sector shall exceed the limit imposed by the Regulations, the Management Company shall not purchase any further Investments in such company or sector. In the event Exposure limits are exceeded due to corporate actions including taking up rights or bonus issue and/or 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, circular or notification issued by SECP from time to time.
- (b) The Management Company, on behalf of the Fund, shall not enter into transactions with any broker that exceeds the limit provided in the Regulations and or circulars and notifications issued by the Commission from time to time.

Transactions relating to money market instruments and debt securities do not fall under this clause.

- (c) The Management Company on behalf of the Scheme shall not:
 - i. Purchase or sell -
 - a. Bearer securities;
 - b. Securities on margin;
 - c. Real estate, commodities or commodity contracts;
 - d. Securities which result in assumption of unlimited liability (actual or contingent);
 - e. Anything other than Authorized Investments as defined herein;
 - ii. Participate in a joint account with others in any transaction;
 - iii. Securities which result in assumption of unlimited liability (actual or contingent)
 - iv. Affect a short sale in a security whether listed or unlisted;
 - v. Take Exposure in any other Collective Investment Scheme.
 - vi. Lend, assume, guarantee, endorse or otherwise become directly or contingently liable for or in connection with any obligation or indebtedness of any person as specified in the Regulation;
 - vii. Make any investment which will vest with the Management Company or its group the management or control of the affairs of the investee company.
 - viii. invest in securities of the Management Company;
 - ix. issue a senior security which is either stock or represents indebtedness, without the prior written approval of the Commission;
 - x. Apply for de-listing from stock exchange, unless it has obtained prior written approval of the Commission;

- xi. sell or issue Units for consideration other than cash unless permitted by the Commission on the basis of structure and investment policy of the Scheme;
 - xii. Merge with, acquire or take over any scheme, unless it has obtained the prior approval of the SECP in writing to the scheme of such merger, acquisition or take over;
 - xiii. invest the subscription money until the closure of initial offering period;
 - xiv. enter on behalf of the Scheme, into underwriting or sub-underwriting contracts;
 - xv. subscribe to an issue underwritten, co-underwritten or sub-underwritten by group companies of the Management Company;
 - xvi. pledge any of the securities held or beneficially owned by the Scheme except as allowed under the Regulations;
 - xvii. accept deposits;
 - xviii. make a loan or advance money to any person from the assets of the Scheme
- (d) Exposure of the Scheme to any single entity shall not exceed an amount equal to ten percent (10%) of the total Net Assets of the Scheme.
- (e) Exposure to any debt issue of a company shall not exceed ten percent of that issue.
- (f) Exposure to Equity Securities of a company shall not exceed ten per cent (10%) of the issued capital of that company.
- (g) The Management Company, on behalf of the Scheme, shall not take Exposure of more than thirty five per cent (35%) of the total Net Assets of the Scheme in any single group. For this purpose, “group” means persons having at least 30% or more shareholding in any other company, as per publicly disclosed information.
- (h) The Management Company shall not invest more than twenty five per cent (25%) of total Net Assets of the Scheme in securities of any one sector as per classification of the stock exchange.
- (i) Where the Exposure of the Scheme exceeds the limits specified in sub-clause (d), (e), (f) or (h) of this Clause because of corporate actions including taking up rights or bonus issue or due to market price increase or decrease in Net Assets of the Scheme due to redemption, the excess Exposure shall be regularized within Four (4) months of the breach of limits.
- (j) The Management Company, on behalf of the Scheme, shall not take Exposure of more than ten per cent (10%) of the total Net Assets of the Scheme in listed group companies of the Management Company and such Exposure shall only be made through the secondary market.
- (k) Rating of any bank or DFI with which funds of the Scheme are placed shall not be lower than investment grade.
- (l) Rating of debt security in the portfolio of the Scheme shall not lower than investment grade.

- (m) Rating of any NBFC and Modaraba with which Funds are placed shall not be lower than Investment grade.
- (n) In case of redemptions requests are pending due to constraint of liquidity in the Fund, for more than the period as stipulated in the Regulations, the Management Company shall not make any fresh investment or rollover of any investment.
- (o) The Management Company on behalf of the Scheme shall maintain at all-time minimum cash and near cash instruments subject to applicable Regulations, Circulars or Directives issued by the Commission. The present limit for the Scheme is 10% of the total Net Assets of the Scheme. Cash and near cash instruments include cash in bank accounts (excluding TDRs) GOP, treasury bills not exceeding ninety (90) days to maturity.
- (p) Investment in Equity Futures Contracts:

The purpose of investment in equity future contracts is to meet the investment objectives of FAAF. Maximum total exposure in equity futures contracts shall not at any time exceed 40% of total net assets to curb any gearing/leverage of the Fund. For this purpose, the “preserved cash”, i.e. the difference between the contract price and upfront margin shall be blocked in an earmarked account for settlement purposes and the Management Company along with the Trustee shall ensure timely payment of settlement amount/margin calls on behalf of FAAF within the time period stipulated by the Pakistan Stock Exchange. Further, investment in future contracts is subject to such risk management and compliance procedures as mentioned below;

- (a) All positions in the equity future contracts shall be subject to the single entity and sector limits as prescribed under Regulation 55(5) & (6) of the NBFC Regulations and position limits stipulated in Schedule 4 of the Risk Management Regulations of Pakistan Stock Exchange Limited shall be strictly adhered to;
 - (b) Exposure in equity future contracts shall be marked to market on daily basis as per the requirement of Pakistan Stock Exchange Limited;
 - (c) For the purpose of reporting to the SECP, exposure in equity future contracts shall be calculated by converting the derivative position into equivalent position in the underlying security.
 - (d) Sale position in equity futures contract without pre-existing interest (short-sale) shall be strictly prohibited; and
 - (e) Spread transactions shall be accounted for in calculating the above-mentioned exposure limits.
- (q) Investment in Exchanged Traded Future Commodity Contracts
- (a) The Management Company on behalf of the Scheme shall only be eligible to invest in exchange traded future contracts that have underlying assets as commodities such as gold, silver, crude oil etc.
 - (b) The Management Company on behalf of the Scheme shall only invest in cash settled futures contract, except for gold for which in addition to the cash settled futures may also invest in deliverable futures contract.

- (c) Maximum exposure of the Scheme shall not at any time exceed 90% of net assets to ensure no gearing / leverage. For this purpose, the difference between the contract price and upfront margin i.e. the “earmarked cash” shall be blocked in an earmarked account for settlement purposes and the Management Company along with the Trustee shall ensure timely payment of settlement amount and margin call on behalf of the scheme with the time period stipulated by the exchange.
- (d) The Management Company on behalf of the Scheme shall not sell commodity futures contract on behalf of the scheme without pre-existing interest.
- (e) The Management Company, on behalf of the Fund, shall not enter into transactions with any broker that exceeds the limit provided in the Regulations and or circulars and notifications issued by the Commission from time to time.

Transactions relating to money market instruments and debt securities do not fall under this clause.



SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN
SPECIALIZED COMPANIES DIVISION
POLICY, REGULATION AND DEVELOPMENT DEPARTMENT

No. SCD/AMCW/FAAF/287/2020

April 13, 2020

Mr. Khaldoon Bin Latif,
Chief Executive Officer,
Faysal Asset Management Limited,
7th Floor, Faysal House, ST-02,
Main Shahrah-e-Faisal, Karachi.

Subject: Approval of the Ninth Supplement to the Offering Document of Faysal Asset Allocation Fund

Dear Sir,

Please refer to email dated March 31, 2020 from your office subsequent to earlier correspondence on the subject noted above.

In this regard, I am directed to inform you that the amendments proposed by Faysal Asset Management Limited (FAML) in the 9th Supplemental Offering Document of Faysal Asset Allocation Fund have been acceded to by the Securities and Exchange Commission of Pakistan subject to the condition that FAML shall comply with the requirements of the Regulation 44(7) of the Non-Banking Finance Companies & Notified Entities Regulations, 2008.

Yours truly,

Zonish Inayat
Deputy Director

Cc: **The Chief Executive Officer**
Central Depository Company of Pakistan limited
CDC House, 99-B, Block 'B', S.M.C.H.S.,
Main Shahr-e-Faisal, Karachi.