

**Faysal Balanced Growth Fund – 1st Supplementary Offering
Document**

**1st SUPPLEMENT
TO THE
OFFERING DOCUMENT OF
FAYSAL BALANCED GROWTH FUND
MANAGED BY
FAYSAL ASSET MANAGEMENT
COMPANY
LIMITED**

DATED: June 1, 2012

**First Supplement dated June 1, 2012 to the Offering Document of Faysal Balanced Growth Fund (FBGF) issued on April 14, 2004.
Managed by Faysal Asset Management Company Limited an Asset Management Company Licensed under the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003.**

The Faysal Balanced Growth Fund (the Fund/the Scheme/the Trust/the Unit Trust/FBGF) has been established in Karachi as an Open ended Balanced Scheme through a Trust Deed and amended through first and second supplemental Trust deeds dated June 22, 2005 and August 25, 2010 respectively, entered into 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 and Notified Entities Regulation, 2008 (the Regulation).

Filing of the Offering Document

The Management Company has filed a copy of the first supplemental Offering Document signed by the Chief Executive along with the second supplemental trust deed with the SECP. Certified copies of these documents along with SECP's approvals in favor of supplemental Trust Deed and supplemental Offering Document can be inspected at the registered office of the Management Company or the place of business of the Trustee:

Effective from 1st day of June, 2012, the following paragraphs in the Offering Document are revised.

1. CONSTITUTION OF THE SCHEME

1.1 Constitution

The Fund is an open-ended Balanced fund and has been constituted by a Trust Deed entered into at Karachi on January 29, 2004 between Faysal Asset Management Limited, the Management Company and Muslim Commercial Financial Services (Pvt.) Ltd, the Trustee and amended through first and second supplemental trust deeds dated June 22, 2005 and August 25, 2010 respectively between: Faysal Asset Management Limited (FAML), an unlisted public limited company incorporated under the Companies Ordinance 1984, and licensed by SECP to undertake asset management services with its registered office at 8th Floor, Tower A (801-806 & 818), Saima Trade Tower, I.I. Chundrigar Road, Karachi, as the establisher of the Fund and the Management Company; and Central Depository Company of Pakistan Limited (CDC), an unlisted public limited company incorporated under the Companies Ordinance 1984, with its registered office at CDC House, 99-B, Block 'B', S.M.C.H.S., Main Shakra-e-Faisal, Karachi, Pakistan as the Trustee.

1.2 Registered Address, Place and Date of Creation

The registered address of the Faysal Asset Management Limited is 8th Floor, Tower A (801-806 & 818), Saima Trade Tower, I.I. Chundrigar Road, Karachi. The Trust was created on January 29, 2004. The official web site address of Faysal Asset Management Limited is www.faysalfunds.com

1.7 Open-end Fund

The Fund is an open-end Balanced Scheme. It shall offer and redeem Units on a continuing basis subject to terms contained herein and to the Regulations. There is no upper limit set on the Units to be issued to a single Unitholder or on the total number of units to be issued to the public.

However, the Management Company may impose, from time to time, certain amounts of minimum monetary investment limits to facilitate economical and efficient management of investors' accounts. Fractional Units will be issued to enhance economical and efficient handling. Units are also transferable. Units will be issued in registered, un-certificated form and will be confirmed to investors by means of an account statement issued by the Registrar. Certificates representing the Units will be issued subject to terms herein at a nominal charge only, if requested by the Unitholder.

The minimum size of Scheme shall be one hundred million rupees at all times during the life of the scheme and The Management Company Schemes shall ensure compliance with this minimum scheme size limit by the first day of July, 2012.

2. INVESTMENT OBJECTIVES AND RESTRICTIONS

2.1 Investment Objectives

The prime objective of the Fund is to provide investors an opportunity to invest through one simple transaction into a diverse pool of securities available in the market. The invested amount will be allocated between the equity market and fixed income securities including money market instruments. Maximum upto 70% of the total investment of the Fund will be allocated to the equity market securities. The mix of such equity market securities will include investment in securities that offers opportunity for capital appreciation while other such securities will ensure comparatively higher or constant dividend yield. Minimum of 30% of the funds will be allocated to fixed income securities including money market instruments that are Authorized Investments. These instruments include Term Finance Certificates (TFCs), Government Securities, TDRs, Commercial Papers, MTS, Spread Transaction, Preference Shares, Certificate of Investments (COIs), SUKUK and Certificate of Musharikas (COMs), Options and Derivatives (only for the purpose of hedging and after obtaining prior approval of the Commission, subject to the condition that exposure under Options and Derivatives shall not exceed 10% of the funds value at all times) and securities traded or to be traded in Over the Counter (OTC) Markets and other deposits in the bank and Non-Banking Finance Institutions, including short term maturity reverse repurchase transactions. Investments made by the Fund in the aforesaid equity securities and fixed income securities including money market instruments will be made either directly as an investor or as a participant in Pre-IPO/IPO issued directly or indirectly through brokers/arrangers. Provided however, if at any time, 70% of the total investment in the equity market possesses any unprecedented risk, or where it becomes in the interest of the Unitholders to reduce the investment in the equity market below of 70% of the total investment of the Fund at any given time, the Management Company may, at its discretion vary the ratio between the investments in the equity market and fixed income securities including money market instruments, without the need to amend this Offering Document.

All investments shall be made within the limits prescribe in the Regulations or otherwise as may be specified by the Commission and for investments in offshore countries, investment shall be made within the limit prescribe by the State bank of Pakistan.

The Fund seeks to achieve the following benefits for the investors:

- To earn overall return for its investors in the form of capital gains, dividends and return on fixed income through investing in growth and dividend yielding stocks as well as fixed income securities including money market instruments, thereby allowing continuous growth in value as well as a return that is higher than income earned on bank deposits.

- Long-term growth in the value of the investments, aimed at surpassing not only the underlying inflation rate prevalent in Pakistan but also out-performing most other types of investment options;
- In order to manage risk associated with the capital markets yet ensuring that all opportunities for maximizing values for Unitholders are availed, our debt / equity distinction is as follows;
- To provide steady income stream for the fund, a minimum 30% of the fund value will be invested in fixed income securities including money market instruments for example TFCs, PTCs, COT, non-equity securities by whatsoever name called (both listed and non listed in the exchanges) including SPVs, COIs and COMs and other deposits in the bank and Non-Banking Finance Institutions including short term maturity reverse repurchase transactions, Options, Derivatives etc. (subject to the condition that exposure under Options and Derivatives shall not exceed 10% of the funds value at all times) which offer a reasonable return against an acceptable risk. For the said purpose, instruments with minimum investment grade will be bought while appropriate due diligence will be carried out for instruments with lower or no credit ratings.
- Mutual Funds are restricted to allocate not more than 25% of Net Asset Value to one sector and not more than 10% of Net Asset Value to one security or not more than 10% of the issued capital of the investee company.

2.2.2 Investment in securities outside Pakistan

The Investments outside Pakistan shall be subject to prior approval from the Commission and SBP. Any such proposal by the Management Company shall be submitted to the Commission and SBP with the prior intimation to the Trustee. While opening and operating any type of account and/or making investments in offshore countries on the instructions of Management Company, if the Trustee is required to provide any indemnities to offshore parties then Trustee and the Fund would be counter indemnified by the Management Company to such extent. These investments will enable the Fund to diversify the risk as well as avail opportunities for higher returns in markets that are undervalued. Such Investments may be made up to 30% of net assets of the Fund and are subject to a cap of US\$ 15 million unless some other ceiling is imposed by the SBP and/or SECP.

The Investments made on account of the Fund in offshore countries and the Bank accounts and custodial service accounts that may be opened by the Trustee for the Fund in any offshore countries on the instructions of the Management Company may become subject to the laws of such countries.

2.3.3 Performance Benchmark

The performance benchmark of the Fund shall be the weighted average of KSE – 100 Index and 6 Month KIBOR as per asset allocation of the fund during the period under review' or such other benchmark as determined by the Management Company under prior approval to the Trustee, SECP and the Unit Holder and disclosed in the Offering Document.

2.3.4 Rating and Maturity of Investment Portfolio

- i) Rating of any debt security in the portfolio shall not be lower than A- (A minus)
- ii) Ratings of any NBFC and Modaraba with which funds are placed shall not be lower than AA (Double A).

- iii) Ratings of any Bank and DFI with which funds are placed shall not be lower than AA-)(Double A Minus)
- iv) Weighted average time to maturity of non equity assets shall not exceed 2 years, and exposure to MTS and spreads shall not exceed 25% of the net assets.

2.3.5 Exposure Limits to FBGF are as under

Sr.	Description	Minimum Entity/Instrument Rating	Min- Maximum Exposure
1	Cash in bank accounts	AA-	0-70%
2	Deposits of various tenors with Banks, DFIs and other depository institutions	AA- or specified by SECP	0-70%
3	Listed Equity Securities	N/A	30%-70%
4	Government Securities	N/A	0%-70%
5	Debt Securities including TFC and SUKUKs	A-	0%-70%
6	Long, medium and short term deposits with Commercial banks	AA-	0%-70%
7	Commercial Papers and Money Market Placements	A-	0-70%
8	Certificates Musharika Certificates, Certificate of Deposits (CoD), Certificate of Investments (COI), issued by financial institution.	AA-	0-70%
9	Reverse Repo transaction against Government Securities or such securities allowed under the Regulation from time to time	AA-	0%-70%
10	Margin Trading System or any other leveraged product/system approved by the Commission and Spread transactions. (Not more than 10% of the aforesaid MTS amount in any one scrip at the time of investment)	N/A	0%-25%
11	Convertible & Non Convertible Preference shares issued by corporate/ financial institutions	A-	0-70%
12	TDRs	AA-	0-40%

	Warrants, options, derivatives subject to the prior approval of the commission. Investment in this asset class would be for the hedging purposes only and subject to such terms and conditions as approved by the Commission from time to time	N/A	0%-30%
11	Investments Outside Pakistan The above or any other Investments available outside Pakistan.	N/A	0%- 30% or as allowed by SECP / SBP
12	Any other securities or instruments that may be permitted or approved under the SECP Regulation or any other directive from time to time	A-	0%-70%

2.3.5.1 where the Exposure of a Collective Investment Scheme exceeds the limits specified in Regulations because of corporate actions including taking up rights or bonus issue or due to market price increase or decrease in net assets the excess Exposure shall be regularized within three months of the breach of limits unless the said period of three months is extended by the Commission on an application by the Management Company.

2.5 Transactions with Connected Persons

- i) The Trust Property shall not be invested in any security of a company if any director or officer of the Management Company individually owns more than five per cent (5%) of the total amount of securities issued, or, the directors and officers of the Management Company own more than ten per cent (10%) of those securities collectively.
- ii) The Management Company, on behalf of a Collective Investment Scheme shall not without the approval of the Board of Directors in writing and consent of Trustee, purchase from, or sell any securities to any connected person or employee of the Management Company: This Clause shall not apply to the issue, sale or redemption of units or shares or certificates issued by the Collective Investment Scheme.
- iii) For the purpose of Sub Clauses (i) and (ii) above the term directors officers and employee shall include spouse and dependents.
- iv) All transactions with connected persons carried out by the Management Company on behalf of the Collective Investment Scheme shall be in accordance with the provisions of the Constitutive Documents and shall be disclosed in the annual report of the Collective Investment Scheme.
- v) Cash forming part of the Trust Property of the Scheme may be placed as deposits by the Trustee with an institution licensed to accept deposits. In case cash forming part of the Scheme's assets is deposited with an institution, which is a banking company or an NBFC, return shall be paid on the deposit at a rate that is not lower than the rate offered by the said banking company or NBFC to its other depositors on deposits of similar amount and maturity.

2.6 Risk Disclosure

2.6.3 There may be times when a portion of the investment portfolio of the Scheme is not compliant either with the investment policy or the minimum investment criteria of the assigned 'Category'. This non-compliance may be due to various reasons including, adverse market conditions, liquidity constraints or investment –specific issues. Investors are advised to study the latest Fund Manager Report specially portfolio composition and Financial Statements of the Scheme to determine what percentage of the assets of the Scheme, if any, is not in compliance with the minimum investment criteria of the assigned Category. The latest monthly Fund Manager Report as per the format prescribed by Mutual Funds Association of Pakistan (MUFAP) is available on the website of the FAML and can be obtained by calling /writing to the Management Company of the Scheme.”

3.4 Duties and Responsibilities of the Management Company

3.4.1 Management of the Scheme

The Management Company shall establish, manage, operate and administer the Scheme in accordance with the Rules and Regulations, the Deed and this Offering Document.

3.4.2 Fund Manager and Investment Committee

The Management Company shall designate or appoint a qualified fund manager and constitute an investment committee in accordance with the provisions of the Regulations to assist in investing and managing the assets of the Fund or to invest and manage part or whole of the assets of the Fund, both locally and abroad, at its own cost and discretion.

3.4.3 Fund Management

The Management Company has the responsibility to make all investment decisions through an investment committee constituted within the framework of the Regulations, and any amendment thereto and the Constitutive Documents.

3.4.4 Investors' Services

The Management Company has the responsibility to facilitate investments and disinvestments by investors in the Scheme and to make adequate arrangements for receiving and processing applications in this regard.

3.4.5 Investor Records

3.4.5.1 The Management Company has the responsibility to maintain investors' records, and for this purpose it may appoint a Registrar, who is responsible for performing Registrar Functions. The Management Company or Registrar (as the case may be) shall carry out the Registrar's Functions including the responsibility of maintaining Unit Holder(s) records, issuing statements of accounts, issuing Certificates representing Units, processing redemption requests, processing dividend payments and all other related and incidental activities and any other role assigned to the

Registrar as per the registrar agreement.

- 3.4.5.2 The Management Company shall not remove the records or documents, pertaining to the Scheme, from Pakistan to a place outside Pakistan, without the prior written permission of the Commission and the Trustee.

3.4.6 Distribution

The Management Company, shall from time to time appoint, remove or replace one or more suitable persons, entities or parties as Distributor(s) for carrying on Distribution Function(s) at one or more location(s). The appointment of Distributor will be done through written distribution agreement(s) defining among other terms and condition for avoidance of frauds and sales based on misleading information. The Management Company shall ensure that where it delegated the function of distribution the Distributors have acquired registration with Mutual Funds Association of Pakistan as registered service providers and are maintaining the registration on an annual basis and are abiding by the code of conduct prescribed for them by Mutual Funds Association of Pakistan and all existing distributors shall acquire registration with Mutual Funds Association of Pakistan as registered services provider before date mentioned in The Regulation.

provided that the Management Company may also itself act as a Distributor for carrying on Distribution Functions. The Management Company shall remunerate the Distributors out of its resources and/or from Front end Load. The Distributor(s) shall act as the interface between the investors, the Management Company, the Registrar and the Trustee and perform all other Distribution Function(s), as defined in clause 14.20.

3.4.7 Investment Facilitation

The Management Company may, at its own responsibility, from time to time appoint Investment Facilitator(s) to assist it in promoting sales of Units. Remuneration of the Investment Facilitators shall be paid by the Management Company from the Front End Load and/or from its own sources.

3.4.8 Record Keeping

- 3.4.8.1 The Management Company shall maintain at its principal office, proper accounts and records to enable a complete and accurate view to be formed of (i) the assets and liabilities of the Scheme, (ii) the income and expenditure of the Scheme, (iii) all other transactions for the account of the Scheme, (iv) all amounts received by the Scheme in respect of the issuance of Units, (v) all amounts paid out by the Scheme on redemption of Units and by way of distributions and (vi) pay out at the termination of the Scheme.
- 3.4.8.2 The Management Company shall maintain a Register of Unit Holders of the Scheme (either in physical or electronic form) and inform the Commission and the Trustee of the address where the Register is kept.

3.4.9 Other Functions and responsibilities of the Management Company

- 3.4.9.1 The Management Company shall manage the Scheme in the best interest of the Unit Holders, in good faith and to the best of its ability, without gaining any undue advantage for itself or any of its related parties including the Connected Persons and group companies or its officers, subject to the restrictions and limitations as provided in the Deed, the Rules and Regulations. Any purchase or sale of investments made under any of the provisions of the Deed shall be made by the Trustee according to the instructions of the Management Company in this respect, unless such instructions

are in conflict with the provisions of the Deed or the Regulation. The Management Company shall not be liable for any loss caused to the Trust or to the value of the Fund Property due to any elements or circumstances beyond its reasonable control.

- 3.4.9.2 The Management Company shall comply with the provisions of the Deed, the Rules, the Regulations and the Offering Document (as may be amended from time to time with the approval of the SECP) for any act or matter to be done by it in the performance of its duties, and such acts or matters may also be performed on behalf of the Management Company by any officer(s) or responsible official(s) of the Management Company or by any nominee(s) or agent(s) appointed by the Management Company, and any act or matter so performed shall be deemed for all the purposes of the Deed to be the act of the Management Company. The Management Company shall be responsible for the acts and omissions of all persons to whom it may delegate any of its functions as manager as if these were its own acts and omissions and shall account to the Trustee for any loss in value of the Fund Property where such loss has been caused by its negligence or reckless or willful act and/or omission or of its officers, officials or agents.
- 3.4.9.3 The Management Company shall develop criteria for appointing a diverse panel of Brokers and monitoring compliance thereof to avoid undue concentration of business with any single Broker.
- 3.4.9.4 The Management Company may, under intimation to the Trustee, from time to time appoint, remove or replace the Registrar/Transfer agent who is responsible for performing Registrar Functions. The Transfer Agent shall perform the Registrar Functions, including maintaining investors' records, issuing statements of accounts, issuing Certificates representing Units, processing redemption requests, processing dividend payments and all other related and incidental activities and any other role assigned to the Transfer Agent as per the transfer agent agreement.
- 3.4.9.5 The Management Company shall make available or ensure that there is made available to the Trustee, such information and record as may be necessary for the Trustee to discharge obligations under the regulations, Trust Deed and Offering Document.
- 3.4.9.6 The Management Company shall not be under any liability, except such liability as may be expressly assumed by it under the Rules and the Deed, nor shall the Management Company (save as herein otherwise provided) be liable for any act or omission of the Trustee, or for anything except for its own negligence or willful breach of duty. The Management Company shall not be under any liability by reason of any error of law.
- 3.4.9.7 The Management Company shall maintain the books of accounts and other records of the Scheme for a period of not less than ten years.
- 3.4.9.8 The Management Company shall within four months of the closing of the Accounting Period transmit to the Unit Holder(s), the Trustee and the SECP and stock exchanges, on which the Units of the Scheme are listed, the annual report as per the requirements of the Regulations, including (i) copy of balance sheet and income statement, (ii) cash flow statement, (iii) statement of movement in Unit Holders' fund or net assets or reserves and (iv) the Auditor's report as set out in Schedule V of the Regulations
- 3.4.9.9 The Management Company shall within one month of the closing of first and third quarter and within two months of the closing of second quarter of each Accounting Period, prepare and transmit to the Unit Holder(s), the Trustee and the SECP and

stock exchanges, on which the Units of the Scheme are listed, (i) balance sheet as at the end of that quarter, (ii) income statement, (iii) cash flow statement, (iv) statement of changes in movement in Unit Holders' fund or net assets or reserves; and (v) statement showing the securities owned at the beginning of the relevant period, securities purchased or sold during such period, and the securities held at the end of such period together with the value (at carrying and at market) and the percentage in relation to its own net assets and the issued capital of person whose securities are owned for that quarter, whether audited or otherwise in accordance with the Rules & Regulation, provided, where subject to permission being granted by the Commission, the Management Company has transmitted the said quarterly accounts on the Management Company's website, printed copies thereof shall be provided to the Unit Holders, free of cost, as and when requested.

- 3.4.9.10 The Management Company shall with the consent of the Trustee, appoint at the establishment of the Scheme and upon any vacancy, an Auditor, from the approved list of auditors circulated by the Commission from time to time, who shall be a chartered accountant or a firm of chartered accountants, and independent of the Auditor of the Management Company and the Trustee, and such auditor shall not be appointed for more than five consecutive years, as specified under the Regulations, and the contents of the auditor's report shall be in accordance with the provisions of the Regulations.
- 3.4.9.11 The Management Company shall, from time to time, advise the Trustee of the settlement instructions, relating to any investment/disinvestment transactions entered into by it, on behalf of the Scheme. The Management Company shall ensure that the settlement instructions are given promptly after entering into the transactions, so as to facilitate the timely settlement, and the Trustee, on its side, shall ensure that the settlement is handled in a timely manner, in accordance with the dictates of the transaction subject to the Regulations, the Offering Document and terms of the Deed.
- 3.4.9.12 The Management Company shall provide the Trustee with regular reports indicating dividends, other forms of income or inflows, and any rights or warrants relating to Investments that are due to be received. The Trustee shall report back to the Management Company any such amounts or warrants that are received on such accounts from time to time.
- 3.4.9.13 The Management Company is obliged to obtain a rating of the Scheme, once the Scheme becomes eligible for rating, as per the rating criteria of the rating agency, and such rating shall be updated at least once every financial year, and also published in the annual and quarterly reports of the Scheme.
- 3.4.9.14 The Management Company shall nominate one or more of its officers to act as attorney(s) for interacting with the Trustee.
- 3.4.9.15 The Management Company shall not apply for de-listing from Stock Exchange (if any), unless it has obtained prior approval of the Commission in writing to the scheme of de-listing.
- 3.4.9.16 The Management Company may appoint investment advisors to assist in investing and managing the assets of the Scheme, or to invest and manage part or whole of the assets of the Scheme abroad, at its own cost and discretion, provided that the Management Company will be responsible for all acts of such investment advisers.
- 3.4.9.17 The Management Company may in consultation with the Trustee, further appoint advisors and professionals other than mentioned in clause 3.4.9.16 above in offshore countries for making investments in offshore counties and/or for issuing Units to the

investors in the offshore countries to determine the legal and regulatory requirements to be fulfilled by the Scheme, the Management Company and the Trustee and their respective obligations in relation thereto. The Management shall bear all costs associated with the appointment of advisor/professional.

- 3.4.9.18 The Management Company has the responsibility to facilitate the investment and disinvestments by investors in the Scheme and to make adequate arrangements for receiving and processing applications in this regard. The Management Company shall designate and disclose the location of its official points for acceptance of applications for issuance, redemption, conversion, etc. of units in the Offering Documents of scheme (Annexure D), as well as on its website. The Management Company shall receive the said applications only at such designated points. Offer and redemption prices have to be announced for investor facilitation as per the procedures outlined in Section 7 & 10 of the Second Supplemental trust deed.
- 3.4.9.19 The Management Company shall ensure that all the designated points for acceptance of application for issuance, redemption, conversion, etc of units of the scheme, have appropriate date and time stamping mechanism, for timely acknowledgement of the said applications.
- 3.4.9.20 The Management Company shall clearly specify cut-off timings for acceptance of applications for issuance, redemption, conversion etc. of units of the scheme, including approved administrative plans in the constitutive documents, on the website of the Management Company and at the designated points. Such cut-off timings shall uniformly apply on all Units Holders.
- 3.4.9.21 The Management Company shall process payment instruments immediately on receipt of application.
- 3.4.9.22 The Management Company shall account to the Trustee for any loss in value of the assets of the Scheme where such loss has been caused by its negligence, reckless or willful act.
- 3.4.9.23 The Management Company shall perform any other duties as may be required by the Commission, in accordance with the Regulations.
- 3.4.9.24 The Management Company on behalf of the Fund shall not at any time rollover the investments, if in the opinion of Trustee, the Fund would not be able to issue payment instruments for the redemption money to the Units holders within time period stipulated in the Regulations.
- 3.4.9.25 The Management Company shall ensure that the conditions under which the Scheme has been registered are complied with.
- 3.4.9.26 The Management Company shall be obliged to accomplish compliance audit, on quarterly basis, by an external auditor (other than by a statutory Auditor) to ensure that the methodology and procedures adopted by the Management Company in calculating the value of units are adequate and the pricing and valuation for sale, issue, repurchase, redemption and cancellation are carried out in accordance with the provisions of the Constitutive Documents and Regulations. The cost of such audit shall borne by the Management Company.
- 3.4.9.27 The Management Company shall ensure that no entry and exit to the Fund (including redemption and re-issuance of units to the same unit holders on different NAVs) shall be allowed other than cash settled transactions based on the formal issuance and

redemption request, unless permitted otherwise by the Commission under the Regulations.

- 3.4.9.28 The Management Company shall ensure all valid redemption request are paid based on ranking of the request in the queue.
- 3.4.9.29 The Management Company may appoint advisors to assist in investing and managing the assets of the Fund at its own cost and discretion, provided that the Management Company will be responsible for all acts of such investment advisors.
- 3.4.9.30 The Management Company shall formally forward all the requests for dealing in Units, duly time and date stamped, to the Trustee within 24 hours of receipt of such request.
- 3.4.9.31 The Management Company shall ensure compliance with the minimum fund size within three months of its breach and if the fund size remains below the minimum fund size limit for consecutive ninety days the Management Company shall immediately intimate the grounds to the Commission upon which it believes that the Open End Scheme is still commercially viable and its objective can still be achieved.
- 3.4.9.32 The Management Company shall intimates the grounds to the Commission for commercial viability of the Scheme it shall also submit the following documents to the Commission,-
- (i) the unit holders resolution passed by at least three fourths in value of total outstanding units supporting the Management Company's views; and
 - (ii) a time bound action plan to increase the fund size to the minimum requisite fund size for consideration of the Commission.

Where the Commission is not satisfied with the submission of the Management Company as mentioned above it may direct the Management Company or the trustee to revoke the Scheme.

- 3.4.9.33 The Asset Management Company on behalf of the Fund shall not at any time net off any investment of the Fund against the investment of the Unit Holder(s) in the Fund.
- 3.4.9.34 The Management Company shall manage the Scheme according to its Constitutive Documents, the rules, regulations, circular or directives issued by the Commission;
- 3.4.9.35 The Management Company shall establish and maintain sufficient risk management systems and controls to enable it to identify, assess, mitigate, control and monitor risks in best interest of unit holders of the Collective Investment Schemes under its management.
- 3.4.9.36 The Management Company shall not specifically use flipping mechanism (i.e. redemption and re-issuance of units to the same unit holders based on different NAVs without cash settlement).

3.5 Trustee - Central Depository Company of Pakistan Limited

Central Depository Company of Pakistan Limited (CDC), a company incorporated under the Companies Ordinance 1984, with its registered office at CDC House, 99-B, Block 'B', S.M.C.H.S., Main Shahrah-e-Faisal, Karachi has been appointed as the Trustee for the Fund. The Trustee has considerable amount of experience of Trusteeship of Open-ended schemes which are successfully functioning in the country.

- 3.5.1 The Trustee has the responsibility of being the nominal owner and the safe custody of the assets of the Unit Trusts on behalf of the beneficial owners (the Unit Holder(s)), within the framework of the Rules, the Regulations, the Trust Deed establishing the Unit Trust and Offering Document issued for the Unit Trust.
- 3.5.2 The Trustee shall take into its custody or under its control all the property of the Scheme and hold it in the Trust at the direction of the Management Company strictly in terms of the provisions contained and the conditions stipulated in the Trust Deed, this Offering Document, NBFC Rules, Regulations, 2008 and the conditions (if any) which may be imposed by the Commission from time to time. All registerable assets shall be registered in the name of or to the order of the Trustee. The Trustee shall invest the Trust Property from time to time at the direction of the Management Company strictly in terms of the provisions contained and the conditions stipulated in the Trust Deed, this Offering Document, NBFC Rules, Regulations, 2008 and the conditions (if any) which may be imposed by the Commission from time to time..
- 3.5.3 The Trustee will carry out the instructions of the Management Company in all matters including investment, and disposition of the Fund Property, unless they are in conflict with the Trust Deed, the Regulations, this Offering Document and/or applicable laws.
- 3.5.4 The Trustee shall nominate one or more of its officers to act as attorney(s) for performing the Trustee's functions and for interacting with the Management Company, and the same shall be intimated to the Management Company.
- 3.5.5 The Trustee shall ensure that (a) the sale, purchase, issue, transfer of units affected by the Scheme and repurchase, redemption and cancellation of units are carried out in accordance with the provisions of the Deed, the Offering Document the Rules and the Regulations and any other regulatory requirements; and (b) the methodology and procedures adopted by the Management Company in calculating the value of Units are adequate and to ensure that pricing and valuation for the sale, issue, repurchase, redemption and cancellation are calculated in accordance with the provisions of the Deed, the Offering Document and Regulations and any other regulatory requirements. In order to get these comforts the Trustee shall have unhindered access to records and information maintained with the Management Company or its agents.
- 3.5.6 The Trustee shall not invest in Units of the Fund.
- 3.5.7 The Trustee shall ensure that the investment and borrowing limitations set out in the Regulations and Constitutive Documents, and the conditions under which the Scheme was authorized are complied with.
- 3.5.8 The Trustee shall issue a report to the Unit Holders to be included in the annual report and second quarter report of the Fund, as to whether in its opinion, the Management Company has in all material respects managed the Fund Property in accordance with the provisions of the Rules, the Regulations, the Offering Document and the Deed, and if the Management Company has not done so, the respect in which it has not done so and the steps the Trustee has taken in that regard.
- 3.5.9 The Trustee shall, if requested by the Management Company, or if it considers necessary for the protection of the Fund Property or safeguarding the interest of Unit Holders institute or defend any suit, proceedings, arbitration or enquiry or any corporate or shareholders' action in respect of the Fund Property or any part thereof, with full powers to sign, swear, verify and submit pleadings and affidavits, to file documents, to give evidence, to appoint and remove counsel and to do all incidental acts, things and deeds through the Trustee's authorized person. All costs, charges and expenses (including legal

- fees) incurred in instituting or defending any such action shall be borne by the Scheme and the Trustee shall be indemnified against all such costs, charges and expenses, provided that no such indemnity shall be available in respect of any action taken against the Trustee for willful acts, or omissions or breach of its duties in connection with the Scheme, under the Deed and or the Regulations and/or the Rules. The Trustee and the Management Company shall not be liable in respect of any losses, claims, damages or other liabilities whatsoever suffered or incurred by the Scheme arising from or consequent to any such suit, proceeding, arbitration or inquiry or corporate or shareholders' action or otherwise howsoever and (save as herein otherwise provided), all such losses, claims, damages or other liabilities shall be borne by the Scheme.
- 3.5.10 The Trustee shall exercise all due diligence and vigilance in carrying out its duties and in protecting the interests of the Unit Holders. The Trustee shall not be under any liability on account of anything done or suffered by the Scheme, if the Trustee had acted in good faith in accordance with or in pursuance of any request of the Management Company, provided these were not in conflict with the provisions of the Deed, the Offering Document, the Rules or the Regulations. Whenever pursuant to any provisions of the Deed, any certificate, notice, direction, instruction or other communication is to be given by the Management Company to the Trustee, the Trustee may accept as sufficient evidence thereof:
- i) A document signed or purporting to be signed on behalf of the Management Company by any person(s), whose signature(s) the Trustee has as for the time being authorized in writing by the Management Company to accept.
 - ii) Any instructions received Online through the software solution adopted by the Management Company or the Trustee for managing and keeping records of the Scheme to the satisfaction of the Trustee or the Management Company, as case may be.
 - iii) third party evidence where required like broker contract, expense bills etc. in relation to (i) and (ii) the above; and
- 3.5.11 The instructions shall be given electronically to the Trustee based on distinctive user IDs and passwords allocated to authorized person(s) of the Management Company through a computerized system for which both the parties i.e. the Management Company and the Trustee have agreed in writing. In case of any error or omission occurring in electronic system due to system malfunction or any instruction(s) based on such system contain any error or omission due to the above malfunction, the Trustee and the Management shall not be liable.
- 3.5.12 The Trustee shall be entitled to require the Auditors to provide such reports as may be agreed between the Trustee and the Management Company as may be considered necessary to facilitate the Trustee in issuing the certification required under the Regulations. The Trustee shall endeavour to provide the certification at the earliest date reasonably possible.
- 3.5.13 The Trustee shall arrange for an annual system audit by auditors and provide the report to this effect to the Commission and the Management Company, within four months of the close of the financial year.
- 3.5.14 The Trustee shall be liable for any loss caused due to its willful acts or omissions, or that of its agents, in relation to any custody of assets or investment forming part of the Fund Property of the Scheme.
- 3.5.15 The Trustee shall ensure that the conditions under which the Scheme has been registered are complied with.

- 3.5.16 The Trustee shall immediately inform the Commission if any action of the Management Company contravenes the Ordinance, the Rules, the Regulations, the Constitutive Documents, guidelines, codes, circulars, directives and any other applicable law.
- 3.5.17 The Trustee shall comply with the direction of Commission given in the interest of the Unit Holders
- 3.5.18 The Trustee shall also ensure that the Management Company has specified criteria in writing to provide for a diverse panel of Brokers at the time of offering of the Scheme and shall also ensure that the Management Company has been diligent in appointing Brokers to avoid undue concentration of business with any Broker.
- 3.5.19 Trustee shall have all the obligations entrusted to it under the Rules, the Regulations, the Deed and this Offering Document. Detailed provisions dealing with obligations and responsibilities of the Trustee are provided in the Deed.
- 3.5.20 The Trustee shall exercise all due diligence and vigilance in carrying out its duties and in protecting the interests of the Unit Holder(s). The Trustee shall not be under any liability except such liability as may be expressly assumed by it under Regulations, 2008 and the Trust Deed nor shall the Trustee be liable for any act or omission of the Management Company, nor for anything except its own negligence or willful breach of duty hereunder. If for any reason it becomes impossible or impracticable to carry out the provisions of the Trust Deed the Trustee shall not be under any liability thereof or thereby and it shall not incur any liability by reason of any error of law or any matter or thing done or suffered or omitted to be done in good faith hereunder.
- 3.5.21 The Trustee shall ensure that Units of the scheme have been issued after realization of subscription money, or act as provided in Regulations, 2008. For this purpose, the Management Company will provide the Trustee with the summary of Investments on regular basis.
- 3.5.22 The Trustee shall not be liable for any loss caused to the Scheme or to the value of the Trust Property due to any elements or circumstances of Force Majeure.

3.8 Custodian

The Central Depository Company of Pakistan Limited (CDC) is performing the functions of the custodian of the Fund Property. The salient features of the custodial function are:

- i. Segregating all property of the Fund from Custodian's own property and that of its other clients.
- ii. Assuring the smooth inflow/outflow of dematerialized securities and such other instruments as required.
- iii. Ensuring that the benefits due on investments are received and credited to the Fund's account.

The Trustee may, if it considers necessary, appoint additional custodians with the approval of the Management Company and at such terms and conditions approved by the Management Company, for the safe keeping of any portion of the Fund Property.

3.10 Auditors

- 3.10.1 The auditors of the Fund are:

Ford Rhodes Sidat Hyder & Co.
Chartered Accountants
Progressive Plaza
Beaumont Road,
P.O. Box 15541
Karachi, 75530 Pakistan

The Management Company shall with the consent of the Trustee, appoint an auditor, who shall be independent of the auditor of the Management Company and the Trustee, and such auditor shall be appointed as prescribed in the Regulations and the contents of the Auditor's report shall also be in accordance with the provisions of the Regulations.

3.10.2 The Auditors will hold office until the transmission of the reports and accounts, which will cover the period from commencement of the Trust up to the end of the first Accounting period and will afterwards, be eligible for reappointment by the Management Company with the consent of the Trustee. However, an auditor may be reappointed for upto five consecutive terms. Thereafter, that auditor may only be appointed after a break in appointment.

3.12.1 Bank Accounts

- a) The Trustee, in consultation with the Management Company, shall open a Bank Account titled "**CDC - Trustee Faysal Balanced Growth Fund**" at designated Bank(s) in Pakistan and outside Pakistan for collection, investment, redemption or any other use of the Trust's Funds as per the Rules, the Regulations and directives issued by the commission and after obtaining all necessary approvals from the relevant regulatory authorities.
- b) The Trustee shall also open additional Bank Account(s) titled "**CDC-Trustee Faysal Balanced Growth Fund**" at various branches of its Bank(s). These accounts shall be temporary collection accounts where collections shall be held prior to their being transferred to the main Bank Account of the Trust on a daily basis.
- c) The Trustee shall open additional Bank Accounts titled "**CDC - Trustee Faysal Balanced Growth Fund**" at such branches of Banks and at such locations (including outside Pakistan, subject to applicable regulations and after obtaining all necessary approvals from the relevant regulatory authority in Pakistan) as may be reasonably required by the Management Company from time to time. Such accounts shall be used as collection accounts. There shall be standing instructions for all such collection accounts to promptly transfer the funds collected therein to the main Bank Account - "**CDC - Trustee Faysal Balanced Growth Fund**".
- f) Notwithstanding anything in the Trust Deed, the beneficial ownership of the balances in the Bank Accounts vest in the Unit Holders of the respective Unit Trusts.
- g) The Trustee shall, if requested by the Management Company at its discretion, also open separate Bank Account(s) titled "**CDC – Trustee FAML Funds**" at Bank(s) designated by the Management Company to facilitate investment in each of the Administrative Plans. These account(s) shall be temporary collection accounts, where collections received on account of subscription of Units by investors of various Unit Trusts and the Administrative Plans that are managed by the Management Company shall be held prior to their being allocated and transferred to pertinent Unit Trust(s) in accordance with the Administrative Plans selected by the investors. Such account(s) may also be used for redemption purposes where funds are transferred prior to the payment of the redemption proceeds to the Holders.

- h) The Trustee shall, if requested by the Management Company open Bank Accounts titled "**CDC – Trustee Faysal Balanced Growth Fund**" in offshore countries where the 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, including custodial/sub-custodial services accounts and brokerage accounts with such Banks, custodians, sub-custodians, and brokers, as may be required to be appointed for offshore Investments of the Fund. The opening, operation and maintenance of such Bank Accounts, custodial/sub-custodial and brokerage services accounts in offshore countries shall always be subject to the approval of the SBP and the exchange control regulations, as well as any directives of the SBP and/or the Commission.
- j) The Management Company while exercising due caution and diligence in appointing and arranging of such Bank, brokerage houses and custodian/ sub-custodian in offshore countries. The Trustee shall not incur any personal liability for any consequences that may arise in the opening and operation of such Bank Accounts, brokerage accounts and/or custodial/sub-custodial services accounts.
- k) Opening or closure of any bank account shall be approved in a board meeting by the Board of Directors of the Management Company or specific through Board Resolution.
- l) The Management Company under prior written approval from the commission may introduce Administrative Plans" from time to time for which the Trustee shall open Bank Account(s) titled "**CDC-Trustee Faysal Balanced Growth Fund**". The ratings of any Bank with which any of accounts of the Trust is maintained shall be same as that specified by the Commission for investment by the Scheme.

4.3 Issue of Units

- 4.3.1 The Management Company shall forward all the requests for dealing in Units, duly time and date stamped, to the Trustee within twenty-four (24) hours of the receipt of such requests.
- 4.3.2 An application for purchase of Units may be lodged with any authorized Distributor or presented to the Management Company or through an authorized distributor. The application shall be in the form prescribed by the Management Company. Application forms are available with Distributors or Investment Facilitators or may be obtained from the Management Company or its web site. Units shall be issued based on the Purchase (Offer) Price that is determined as per Clause 4.12.

Payment for the Fund Units can be made in the form of:

- Demand draft or Pay order in favor of CDC-Trustee **FAYSAL BALANCED GROWTH FUND**"
- Online transfer to Bank Account(s) titled **CDC-Trustee FAYSAL BALANCED Growth Fund.**
- Cheque (account payee only marked in favor of CDC-Trustee **FAYSAL BALANCED GROWTH FUND**)

The Management Company may also notify from time to time, arrangements or other forms of payment after obtaining approval of the Commission

The aforesaid payments must be handed over to a Distributor or Management Company who will acknowledge the receipt on the Investment Form. Such payments shall only be deposited in the bank account of the Fund titled "**CDC - Trustee Faysal**

Balanced Growth Fund" maintained with the designated banks and their branches. Units are issued after realization of subscription money; however these are allocated upon receipt of application.

Notwithstanding the above, nothing contained herein shall be construed as limiting or otherwise restricting the Management Company's liability, under the clause 38 of the Regulation.

4.5.2 Application Procedure

Deletion of following clause

- Applications shall be accepted only if the investor designates a bank account with one of the Fund's designated bankers. Such account of the investor shall be used for transferring any dividends and redemption proceeds. The investor may at any subsequent stage change the account to another account with any of the Fund's designated bankers.

Amendment in following clause

- The applicant must obtain a copy of the application signed and stamped by an authorized officer of the Distributor acknowledging the receipt of the application, copies of other documents prescribed herein and the demand-draft, pay-order, cheque or deposit slip as the case may be. Acknowledgement for applications and payment instruments can only be validly issued by Distributors. Notwithstanding the above, nothing contained herein shall be construed as limiting or otherwise restricting the Management Company's liability under clause 38 of the Regulation.

4.7.4 Closure of Register

The Registrar may be closed under intimation to the Trustee for such period as the Management Company may from time to time determine and after giving at least seven (7) days notice to the Holders, provided that it is not closed for more than six (6) working days at a time and whole forty-five days in any year. During the period the Register is closed, transfer applications will not be received.

4.8.1 Suspension of Fresh issue of Units

The Management Company may at any time, subject to the Regulation, as may be modified from time to time, in the event of extra ordinary circumstances as mentioned in clause 4.9, suspend issue of fresh Units. Such suspension may however not affect existing subscribers or the issue of cash dividend or bonus units as a result of dividend distribution or the option to receive dividends in the form of additional Units. The Management Company shall announce the details of exemptions at the time a suspension of fresh issue of Units is announced. The Management Company shall immediately notify the Commission and the Trustee if dealing in Units is suspended and shall also have the fact published, immediately following such decision, in any one of the newspapers in which the Fund prices are normally published.

4.8.2 Suspension of redemption of Units

- 4.8.2.1 In the event of extraordinary circumstances as mentioned in Section 4.9 of this Offering Document, the Management Company may suspend or defer redemption of Units with prior approval to Board of Directors. The circumstances under which the Management Company may suspend redemption shall be the event of war (declared or otherwise), natural disasters, a major break down in law and order, breakdown of the communication

system, closure of the capital markets and /or the banking system or strikes or other events that render the Management Company, Registrar, Trustee or the Distributors unable to function or any other conditions mentioned in the Regulation. In case of suspension of redemption of Units due to extraordinary circumstances mentioned in Section 4.9, the issue of Units shall also remain suspended till the time redemption is resumed.

- 4.8.2.2 The suspension of redemption shall end on the day following the first business day on which the exceptional circumstances giving rise to the suspension in the opinion of the Board of Directors of the Management Company have ceased to exist.
- 4.8.2.3 Where the Management Company AMC is unable to remove the suspension of redemption of unit of Scheme within the fifteen working days of suspension the trustee shall immediately call the meeting of the unit holders at the expiry of the fifteenth days to decide whether to continue the suspension of redemptions for a further period or revoke or transfer the Scheme to another Management Company.
- 4.8.2.4 The decision to continue the suspension, revoke or transfer the Scheme to another Asset Management Company shall be supported by consent given in writing or resolution passed by unit holders representing at least three fourths in value of total outstanding units of the concerned scheme.
- 4.8.2.5 The Asset Management Company shall inform the Commission and the trustee about the date of termination of suspension of dealing in units and publish the notice regarding the termination of dealing in units in two leading daily newspapers having circulation all over Pakistan.

4.10 Frequency of Valuation and Dealing and Mode of the Price Announcement

- 4.10.3 The Offer Price shall be equal to the sum of the Net Asset Value (NAV) as of the close of the Business Day (in the event there are closed days, for any reason, following that Business Day, the NAV so determined shall be adjusted for the accrual of income or losses if any for such closed days), Transaction Costs as defined in Clause 14.51, any Front-end Load (Load) not exceeding 5% of the Offer Price (Please refer to Annexure B for the current level of load) and such amount as the Management Company may consider appropriate provision for Duties and Charges and such sum to be adjusted upwards to the nearest Paisa. The Offer Price so determined shall apply to purchase requests, complete in all respects, received by the Distributor before the Cut-off Time as announced by Management Company in the offering Document on the same Business Day that the Offer Price is calculated.
- 4.10.4 The Redemption Price shall be equal to the NAV as of the close of the Business Day (in the event there are closed days, for any reason, following that Business Day, the NAV so determined shall be adjusted for the accrual of income or losses if any for such closed days), less Transaction Costs as defined in Clause 14.51, a Back-end Load (Please refer to Annexure B for the current level of load) and such amount as the Management Company may consider an appropriate provision for Duties and Charges and such sum to be adjusted downwards to the nearest Paisa. The Redemption Price so determined shall apply to redemption requests, complete in all respects, received by the Distributor before the Cut-off Time on the same Business Day that the Redemption Price is calculated. However, the back-end load shall not be deducted from the NAV for such Units that are being converted for investment in another scheme being run by the Management Company.
- 4.10.6 The Management Company shall, at such frequencies as may be prescribed in this Offering Document or under the Regulation, determine and announce the Net Asset

Value based prices. Under certain circumstances as provided in the respective Offering Documents, the Management Company may suspend the announcement of the prices.

4.12

Deletion of following clause

4.12.2 The Redemption Price may be determined after deducting a processing charge not exceeding one half of one percent of the Redemption Price as a Back-end Load on the NAV.

4.12.4 Units can be purchased at the Offer Price and redeemed at the Redemption Price at any of the Authorized Branches of the Distributors on any Subscription Day in accordance with the procedure set out in Sections 4.5, 4.6 and 4.10 of this Offering Document.

4.14 Determination of Net Assets

The method of determining the value of the assets and liabilities of the Scheme and the Net Assets shall be in compliance with the Rules and Regulations and is stated herein below:

4.14.1 a security listed on a stock exchange, local or foreign as the case may be, shall be valued at its last sale price on such exchange on the date on which it is valued or if such exchange is not open on such date, then at its last sale price on the next preceding date on which such exchange was open and if no sale is reported for such date the security shall be valued at an amount neither higher than the closing asked price nor lower than the closing bid price;

4.14.2 an Unlisted Debt Security and a debt security listed but not traded regularly on a stock exchange shall be valued in the manner specified by the Commission;

4.14.3 an investment purchased and awaiting payment against delivery shall be included for valuation purposes;

4.14.4 an investment sold but not delivered pending receipt of proceeds shall be valued at the net sale price;

4.14.5 the value of any dividends, bonus shares or rights which may have been declared on securities in the portfolio but not received by the Scheme as of the close of business on the valuation date shall be included as assets of the Scheme if the security upon which such dividends, bonuses or rights were declared is included in the assets and is valued ex-dividend, ex-bonus or ex-rights as the case may be;

4.14.6 mark-up accrued on any mark-up-bearing security in the portfolio shall be included as an asset of the Collective Investment Scheme if such accrued mark-up is not otherwise included in the valuation of the security;

4.14.7 any other income accrued upto the date on which computation was made shall also be included in the assets;

4.14.8 all liabilities, expenses and other charges due or accrued up to the date of computation which are chargeable under these Regulations and taxes shall be deducted from the value of the assets;

4.14.9 the remuneration accrued up to the date of computation payable to the Asset Management Company for providing management and other services shall be included as an expense;

- 4.14.10 a security not listed or quoted on a stock exchange, other than Government Securities or debt security, shall be valued at investment price or its break up value as per last audited accounts, whichever is lower;
- 4.14.11 Government Securities not listed on a stock exchange and traded in the interbank market shall be valued at the average rate quoted on a widely used electronic quotation system and such average rate shall be based on the remaining tenor of the security; and (I) any such method of valuation of assets and liabilities as may be specified or modified by the Commission from time to time;
- 4.14.12 take all reasonable steps and exercise due diligence to ensure that the assets of Collective Investment Scheme are correctly valued and priced, in line with the provisions of these regulations and Constitutive Documents:

For the purpose of valuing the fund's property and pricing the Scheme's units, the management company shall not do or omit anything that will confer on itself or certain unit holders a benefit or advantage at the expense of other unit holders or potential unit holders.

5.5 Encashment of Bonus Units

In the event a dividend is declared in the form of bonus Units, such Units shall be added to the holding of the Unitholders. A Unitholder may elect to receive the cash value of the bonus Units provided such Unitholder opts for such an arrangement at the time of applying for the Units or requests the Registrar in writing prior to the dividend declaration for any relevant period.

6.1.2 Redemption Processing Charge (back-end Load)

The Unit Redemption Price is calculated after deducting a processing charge not exceeding 5% percent from the Net Asset Value of the Unit (The current level of Back-end Load is NIL as indicated in Annexure "B"). Back end load shall form part of Fund Property.

- 6.2.7** All preliminary and floatation expenses of the trust including expenses in connection with authorization of the Scheme, execution and registration of the Constitutive Document, issue, legal costs, printing, circulation and publication of the Offering Document, and inviting investment therein and all expenses incurred during the period leading up to the Initial Period, shall be borne by the Management Company and reimbursable subject to the Audit of expense and amortized over a period of not less than five years. Such cost will not exceed one percent (1%) of amount received during Pre-IPO or Rs.5 million whichever is lower.

- 6.2.11 Any cost associated with sales, marketing and advertisement shall not be charged to the Deposited Property, unless otherwise approved by the Commission.

7. TAXATION

The information herein below is accurate as of the date of printing of this supplemental Offering Document. The taxability and tax rates are subject to change from time to time, as may be announced by the Government.

7.1 Taxation on the Income of the Fund

The following is a brief description of the Income Tax Law (Income Tax Ordinance, 2001) applicable in respect of Scheme. The information set forth below is included for general information purposes only and is based on current tax laws and regulations which are subject to change from time to time.

7.1.1 Liability for Income Tax of the Scheme

This part does not cover tax liability of non-Pakistani resident investors with respect to taxes in their own jurisdiction.

The income of the Fund will be taxed at the following rates:

- Dividend income is taxable at the rate of ten per cent (10%) for public companies on gross income basis.
- Capital gain arising from sale of securities (i.e. shares of a public company listed on any Stock Exchange(s) in Pakistan, vouchers of Pakistan Telecommunication Corporation, modaraba certificates, an instrument of redeemable capital, and derivative products) is taxable at applicable rates (as per Income tax law) if the holding period of such securities is less than one year.
- Income from Term Finance Certificates or Corporate Paper(s), Government Securities, return on deposits/Certificates of Investment/deposits with banks/financial institutions, money market transactions, profit and loss sharing accounts with banks etc., is taxable at the rate applicable to a public company (as per Income Tax law). However, income from brokerage and commission is subject to final taxation and the applicable withholding tax will be the final tax on this income.

Notwithstanding the tax rates given above, the income of the Scheme shall be exempted from tax if 90% or more of its accounting income for the year as reduced by capital gains whether realized or unrealized, is distributed amongst the Unit Holders. Further under the provisions of Clause 47 (B) of Part (IV) of the Second Schedule to the Income Tax Ordinance 2001, the Scheme's income from dividend, profit on debt, brokerage and commission is exempt from respective withholding tax.

7.1.2 Zakat

FBGF is Saheb-e-Nisab under the Zakat and Ushr Ordinance, 1980. The balance in the credit of savings bank account, or similar account with a bank standing on the first day of Ramzan-ul-Mubarak will be subjected to Zakat deduction @2.5%.

7.2 Taxation on Unit Holders

Disclaimer: The information set forth below is included for general information purposes only in view of individual nature of tax consequences, each investor is advised to consult a tax advisor regarding the specific tax consequences to him/her of investing in the Fund.

7.2.1 Unit Holders of the Fund will be subject to Income Tax @ 10% on dividend income distributed by the Fund

The tax deducted on dividend at the rates specified above will be the final tax (except for companies) and the payer will be required to withhold the amount of tax at source from payment of dividend except payment to the banking companies.

7.2.2 Capital Gain

Capital gain arising from sale/redemption of units of the Fund (listed on the Stock Exchange(s)) will be subject to tax at the applicable tax rate where such units are held by the unit holder for a period of less than one year. The capital gain of the units held for more than a year will not be taxed.

The Fund shall deduct tax on capital gains at the specified/applicable rates on redemption of units if the holding period of such units is less than one year.

The above stated provisions for taxation of capital gain will not apply to the insurance and banking companies whose capital gains' taxation will be made according to the provisions of the Fourth Schedule and Seventh Schedule of the Income Tax Ordinance, 2001 respectively.

Unit Holders who are exempt from income tax may obtain exemption certificate from the Commissioner of Income Tax and provide the same to the Management Company and/or Transfer Agent and on the basis of Exemption Certificate income tax will not be withheld.

7.2.3 Tax Credit

Unit Holders other than a company shall be entitled to a tax credit under Section 62 of the Income Tax Ordinance, 2001, on purchase of new Units. The amount on which tax credit will be allowed shall be lower of (a) amount invested in purchase of new Units, (b) 10% of the taxable income of the Unit Holder or (c) Rupees three hundred thousand, and will be calculated by applying the average rate of tax of the Unit Holder for the tax year. If the Units so acquired are disposed within 12 months, the amount of tax payable for the tax year in which the Units are disposed shall be increased by the amount of tax credit.

7.2.4 Zakat

Units held by resident Pakistani Unit Holders shall be subject to Zakat at 2.5% of the Par value of the Units under Zakat and Ushr Ordinance, 1980, (XVII of 1980), except those exempted under the said Ordinance. Zakat will be deducted at source from the dividend amount or from the redemption proceeds.

7.3 Dividend

The Management Company on behalf of Faysal Balanced Growth Fund shall, for every accounting year, distribute by way of dividend to the unit holders, certificate holders or shareholders, as the case may be, not less than ninety per cent of the accounting income of Scheme received or derived from sources other than unrealized capital gains as reduced by such expenses as are chargeable to a Fund under the Regulations.

7.4 Disclaimer

The tax and Zakat information given above is based on the Management Company's interpretation of the law which, to the best of the Management Company's understanding, is correct. Investors are expected to seek independent advice so as to determine the tax consequences arising from their investment in the Units of the Fund. Furthermore, tax and Zakat laws, including rates of taxation and of withholding tax, are subject to amendments from time to time. Any such amendments in future shall be deemed to have been incorporated herein.

8. REPORTS AND ACCOUNTS

8.2 Financial Reporting

- 8.2 (c) Un-audited financial statement, together with the report by the Management Company within one month of the close of the first and third quarter and within two month of close of the second quarter of each Accounting Period or such period as prescribed by SECP or the Regulation.

9.5 Certificates

9.5.7 It is proposed that new sub clause to be added as Sub clause No.9.5.7 of clause 9.5.

“Notwithstanding anything to the contrary contained herein, where the Units are declared as CDS Eligible Securities, all matters concerning issuance, transfer, pledge and redemption of such Units issued in book entry form or deposited in to the CDS shall be dealt with in accordance with the provisions of the Central Depository Company of Pakistan Limited Regulations as amended from time to time.”

10.3 Formation Cost

- i) All preliminary and floatation expenses of the Scheme including expenses in connection with authorization of the Scheme and its application fee payable to SECP, execution and registration of the Constitutive Document, issue, legal costs, printing, circulation and publication of the Offering Document and all expenses incurred during the period leading up to the First Offer. Any cost associated with sales, marketing and advertisement shall not be charged to the Scheme
- ii) Formation Cost shall be charged to the Scheme which are estimated at and shall not exceed one (1%) percent of Core Investment (Seed Capital, pre-initial public offering capital) or five million which ever is lower.
- iii) Formation Cost shall be borne by the Management Company and reimbursable by the Fund subject to the audit of expenses.
- iv) Formation costs will be amortized over a period not less than five years.

14. GLOSSARY

14.3 “**Administrative Plans**” means investment plans offered by the Management Company and approved by SECP, where such plans allow investors a focused investment strategy in any one or a combination of Schemes with same trustee managed by the Management Company in accordance with the conditions specified by SECP.”

14.6 “**Authorized Investment**” means investments transacted, issued, traded or listed inside or outside Pakistan and includes any of the following:-

14.6.1 Listed equities securities, government securities, cash in bank accounts, Deposits with Banks or financial institutions (subject to an appropriate investment grade rating, or as per the criteria that may be laid down by the SECP), money market placements, certificate of deposits(COD), certificate of Musharakas (COM), TDR, commercial papers, reverse repo, TFCs, SUKUKs, MTS, Spread transaction, preference shares.

- 14.6.2 Any other equity or debt security (subject to an appropriate investment grade rating, or as per the criteria that may be laid down by the SECP) in respect of which permission to deal on a Stock Exchange is effective
- 14.6.3 Investment outside Pakistan in such permitted asset classes including securities, subject to such terms and conditions as are specified by any competent authority including the State Bank of Pakistan and the SECP.
- 14.6.4 Any other investment permitted by SECP.
- 14.7 **“Back-end Load”** means charge(s) deductible from the Net Asset Value of the Unit to determine the Redemption Price. Such load shall be determined by the Management Company from time to time and disclosed in the Offering Document. Back end load shall be part of fund property
- 14.10 **“Business Day”** means a day on which Scheduled Banks, Stock exchanges and authorized offices of Distribution Companies or Asset Management Company are open (excluding Saturday) for business in Pakistan.
- 14.14 **“Constitutive Documents”** means the trust deed, offering document and other principal document governing the formation of a closed End or Open end Scheme, including all related material agreements.
- 14.15 **“Contingent Load”** means processing charges deductible from the Net Asset Value of the Unit to determine the Redemption Price in case of redemption of Units within a certain period of time or at a decreasing rate for every period the Units are held and shall be charged to Unit Holders in instances where no Front-end Load is charged. Such charges (including Front end and back end load) shall not exceed five percent (5%) of the Net Asset Value and shall be determined by the Management Company from time to time and disclosed in the Offering Document. Any such charges shall be payable to the Management Company and/or its Distributors, as the case may be. The Contingent load would be applicable to those classes of units where there is no front end load.
- 14.19 **“Cut-off Time”** means the time, as may be determined by the Management Company from time to time, and communicated to the Trustee and the Unit Holders, before which Unit transactions will be allowed for that Dealing Day. The applicable cut-off time will be 5:00 p.m, any applications received after the Cut-Off Time would be deemed to have been received on the next Dealing Day
- 14.22 **“Distributor(s)/ Distribution Company”** means a Company, firm, sole proprietorship concern or a Bank appointed by the Management Company under intimation to the Trustee for performing the Distribution Function and shall also include the Management Company itself, if it performs the Distribution Function.
- 14.27 **“Force Majeure”** means any occurrence or circumstance or element which delays or prevents performance of any of the terms and conditions of this Deed or any obligations of the Management Company or the Trustee and shall include but be no limited to any circumstance or element that cannot be reasonably controlled, predicted, avoided or overcome by any Party and which occurs after the execution of this Agreement and makes the performance of the Agreement in whole or in part impossible or impracticable or delays the performance, including but not limited to any situation where performance is impossible without unreasonable expenditure. Such circumstances include but are not limited to floods, fires, droughts, typhoons, earthquakes and other acts of God and other unavoidable or unpredictable elements beyond reasonable control, such as war (declared or undeclared), insurrection, civil war, acts of terrorism, accidents, strikes, riots, turmoil, civil commotion, any act or omission of a governmental authority, failure of

communication system, hacking of computer system and transmissions by unscrupulous persons, closure of stock exchanges, banks or financial institutions, freezing of economic activities and other macro-economic factors, etc..”

- 14.28 “**Formation Cost**” means all preliminary and floatation expenses of the trust including expenses in connection with authorization of the Scheme, execution and registration of the Constitutive Document, issue, legal costs, printing, circulation and publication of the Offering Document, and inviting investment therein and all expenses incurred during the period leading up to the Initial Period, shall be borne by the Management Company and reimbursable subject to the Audit of expense and amortized over a period of not less than five years. Such cost will not exceed one percent (1%) of amount received during Pre-IPO or Rs.5 million whichever is lower.
- 14.29 “**Front-end Load**” means the sales and processing charges (excluding Duties and Charges) that is received by the Management Company and/ or its Distributors that may be included in the Offer Price of the Units.
- 14.35 “**Investment Facilitator/ Sales Agent**” means an individual, firm, corporate or other entity appointed by the Management Company to identify, solicit and assist investors in investing in the Scheme as its agents. The Management Company may compensate the Investment Facilitators/ Sales Agents out of the Front-end Load or Contingent Load collected by it in the Offer Price, respectively, or from the Management Company’s own resources.”
- 14.49 “**Regulation**” means the Non-Banking Finance Companies and Notified Entities Regulation, 2008, as amended or substituted from time to time.
- 14.46 “**Sales Load** “ ~~deleted~~

Words and expressions used but not defined herein shall have the meanings assigned to them in the Regulation. Words importing persons include corporations, words importing the masculine gender include the feminine gender, words importing singular include plural and words "written" or "in writing" include printing, engraving, lithography, or other means of visible reproduction.

Annexure A
Remuneration of the Trustee

Net Assets		Tariff
From	To	
PKR 1	PKR 1000 million	PKR 0.7 million or 0.20% p.a. of net assets of the Fund, whichever is higher*
PKR >1000 million	& above	PKR 2.00 million plus 0.10% p.a. of net assets of the Fund, on amount exceeding Rs. 1000 million.

*There will be no minimum fee for the initial one year from the date of launching of the fund.

ANNEXURE B

Current Level of Front-end and Back-end Loads and Management Fee

Effective from August 27, 2012

Front-end Load: Nil

Back-end Load: Nil

Management fee

- A remuneration of an amount not exceeding three percent (3.0%) per annum of the average daily Net Assets for the first five years of the scheme and there after of an amount equal to two percent (2.0%) per annum of the average daily Net Assets.
- Provided that the remuneration so calculated shall not exceed the maximum remuneration allowed under The Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 and Regulations 2008.

Any change in the load and fee structure, provided it is within the maximum limit disclosed in Section 4.12 and Section 6, shall be notified through an addendum to this annexure.