

8th Supplemental Offering Document
Of
Meezan Tahaffuz Pension Fund

Dated: Dec 08, 2021

8th SUPPLEMENTAL Offering Document

OF

MEEZAN Tahaffuz Pension Fund

MANAGED BY

AL MEEZAN INVESTMENT MANAGEMENT LIMITED

[An Asset Management Company Licensed under the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003]

Meezan Tahaffuz Pension Fund (the Fund/the Scheme/the Trust/MTPF) has been established through a Trust Deed entered into between Al Meezan Investment Management Limited (“Al Meezan Investments” or “Management Company”), the Asset Management Company and Central Depository Company of Pakistan Limited (“CDC”), the Trustee and is registered as a Notified Entity under the Non-Banking Finance Companies and Notified Entities Regulations 2008 (the Regulations)

1. Amendment to Clause 6.4

Clause 6.4 “Investment Policy of Meezan Tahaffuz Pension Fund and Its Sub-Funds” is being amended and read as follows:

- The Pension Fund shall consist of three or more sub-funds.
- The Pension Fund Manager (PFM) shall invest assets of the Pension Fund in a transparent, efficacious, prudent and sound manner.
- The Pension Fund Manager (PFM) shall have at least one investment committee (IC) which shall be responsible for selecting and developing appropriate investment and risk management strategies for the proper performance of the pension fund. The IC will also be responsible for developing internal investment restrictions, limits and restrictions for pension funds and in case same IC takes decisions for both mutual funds and pension funds, the decision taken for each kind of funds shall be separately identified and recorded in the minutes. Further the PFM shall:
 - a) act with due care, skill and diligence in carrying out its duties and responsibilities;
 - b) ensure that investment decisions are consistent with the objectives and investment policy of the Pension Funds;
 - c) ensure that investments do not deviate from the Constitutive Documents or the VPS Rules/Regulations or circulars or directions of the Commission issued from time to time;
 - d) develop and follow internal investment restrictions and policies; and
 - e) review the performance of the Pension Fund on a regular and timely basis;
- The PFM shall be responsible for managing and meeting the liquidity requirements of the Pension Fund and the Participants thereof.
- The PFM on behalf of a Pension fund shall not take exposure of more than 20% of net assets in any single group and the term "group" means persons having at least 30% or more shareholding in any other company, as per publicly disclosed information;

- The PFM shall carry out necessary due diligence for executing investment and disinvestment decision(s) in a security. Rating of an issue or the issuer, wherever mentioned shall be only one of the factors to be considered by the PFM and it shall in no way be construed as a recommendation or permission of the Commission to the PFM to invest in any security solely on the basis of rating. However, the PFM shall ensure that the security and the issuer meet the minimum rating scale referred in the Investment Policy to stay qualified for continued investment.
- The PFM shall deposit or place assets of Shariah Compliant Pension Fund with Islamic Bank or Islamic Banking Windows. The PFM may open current account with conventional bank if it is in the interest of the pension fund to do so. The conditions for opening of account with a conventional bank shall remain the same as specified in the Constitutive Documents or the VPS Rules/Regulations or circulars or directions of the Commission issued from time to time.
- The PFM shall invest assets of Shariah compliant Pension Fund in those securities which are declared eligible by the Shariah Advisor of the Pension Fund.
- The PFM shall not invest assets of Pension Fund in securities of a company if equity is less than paid-up capital of the company, irrespective of the limits stated in the Investment Policy.
- The PFM shall not invest or deposit or place assets of PF if the issuer or the bank or the security does not fulfil the minimum rating specified in the investment policy.
- The PFM shall adhere to the limits stipulated herein; however, if the limits are breached merely due to corporate actions including take up of right or bonus issue(s) or due to change in Net Assets resulting from fluctuation in price of securities or due to withdrawals, the PFM shall regularize the deviation within four months of the breach.
- Limits of investment relevant to each sub-fund are specified hereafter: -

Investment Policy of the Equity Sub Fund-

- a) Assets of the Equity Sub-fund shall be invested in shariah compliant equity securities which are listed on a Stock Exchange or for the listing of which an application has been approved by a Stock Exchange and the Equity sub-fund shall be eligible to invest in units of Real Estate Investment Trusts and Exchange Traded Funds provided that entity/sector/group exposure limits as prescribed are complied with;
- b) At least ninety percent (90%) of Net Assets of the Equity Sub-fund shall remain invested in shariah compliant listed equity securities during the year based on rolling average investment of last Ninety (90) days calculated on daily basis;
- c) The pension fund manager may make investment maximum up to 5% of net assets of the Equity Sub-Fund in units of Private Equity and Venture Capital Fund registered under Private Funds Regulations 2015;
- d) The pension fund manager may make investment maximum up to 10% of net assets of the Equity Sub-Fund in public offering and pre-initial public offering of equity securities;

- e) Investment in shariah compliant equity securities of any single company shall not exceed fifteen percent (15%) of Net assets for shariah compliant ~~of the~~ Equity Sub-Fund or paid-up capital of that single company, whichever is lower;
- f) The pension fund manager may invest up to thirty five percent (35%) or the index weight, whichever is higher, subject to maximum of forty percent (40%) of net assets of the Equity Sub-Fund in shariah compliant equity securities of companies belonging to a single sector as classified by Pakistan Stock Exchange
- g) The PFM may invest any surplus (un-invested) funds in shariah compliant government securities having less than one-year time to maturity or keep as deposits with scheduled commercial banks which are rated not less than "A";
- h) The PFM shall ensure that the investment in shariah compliant equity securities of the following companies shall not exceed 10% of the net assets of the equity sub fund on monthly average basis:
 - i. Securities which are not eligible for Central Depository System;
 - ii. Company is not traded on regular trading counter of the Pakistan Stock Exchange;
 - iii. The minimum free float of the company is less than 15% or 50,000,000 shares whichever is less;
 - iv. The securities of the company are traded less than 50% of the total trading days during the last six months or from the date of listing as the case may be;
 - v. Company's paid up capital is fully eroded owing to accumulated losses as per the annual audited accounts or half yearly limited scoped reviewed accounts whichever is latest;
 - vi. There are major non-compliance issues i.e. holding of annual general meeting, finalization of annual audited accounts, appointment of board of directors and non-compliance with any specific direction (s) of the Commission except those companies that have obtained relaxation or extension to comply with such regulatory requirements from the Commission. For the purpose of this clause, the word "specific direction" shall mean an explicit direction issued to a particular company in a certain matter;
 - vii. Auditor's report is qualified with respect to company's ability as going concern or contains adverse opinion or disclaimer of opinion; or
 - viii. Winding up proceedings have been initiated against the company.

Investment Policy of the Debt Sub Fund-

- a) The Debt Sub-fund shall consist of shariah compliant government securities, cash in bank account, money market placements, deposits, certificate of deposits (COD), certificate of musharakas (COM), TDRs, Islamic commercial paper, sukuk or any other Islamic mode of placement such as; Bai'-Mu'ajjal, Bai'-Mussawwama, Bai'-Salam, Istisna'a, Mudaraba, Murabaha and Musharika or any other structure as approved by the Shariah Advisor and any other approved debt/ money market security issued from time to time;
- b) Rating of any security in the portfolio shall not be lower than A+;
- c) Rating of any shariah compliant bank and DFI with which funds are placed should not be lower than A+;
- d) Rating of any shariah compliant NBFC and Modaraba with which funds are placed shall not be lower than AA;
- e) At least 25% of the net assets shall be invested in deposit with Islamic Banks and Islamic Banking Windows (excluding TDRs) or shariah complaint government securities including GoP Ijarah Sukuk not exceeding 90 days' maturity;
- f) Exposure to any single entity shall not exceed 15% for the Shariah compliant debt sub fund;
- g) Exposure in debt security of an entity shall not exceed 15% for the Shariah compliant debt sub fund or 10 % of size of the issue of that debt security, whichever is lower;
- h) The limits specified in clause (f) and (g) above are applicable to all securities mentioned other than the securities issued by Federal Government;
- i) Exposure to securities issued by entities of a single sector shall not exceed twenty five percent (25%) of Net Assets of a Debt Sub-fund;
- j) The pension fund manager shall not place funds (including TDR, PLS Saving Deposit, COD, COM, COI, money market placements and other clean placements of funds) of more than 25% of net assets of sub-funds with all Islamic microfinance banks, Islamic non-bank finance companies and Modarabas;
- k) The weighted average time to maturity of the Debt Sub-fund shall not exceed five (5) years and this condition shall not apply to securities issued by the Federal Government; and
- l) Rating of any Islamic Microfinance Bank with which funds are placed should not be lower than A+.

Investment Policy of the Money Market Sub Fund-

- a) Investment avenues – shariah complaint government securities, cash and near cash instruments which include cash in bank accounts (excluding TDRs), money market placements, deposits, certificate of deposits (COD), certificate of musharakas (COM) or any other Islamic mode of placement such as; Bai'-Mu'ajjal, Bai'-Mussawwama, Bai'-Salam, Istisna'a, Mudaraba, Murabaha and Musharika or any other structure as approved by the Shariah Advisor, TDRs, Islamic commercial papers, Short term Sukuk,;
- b) Rating of any shariah compliant security in the portfolio shall not be lower than AA;
- c) Rating of any shariah compliant bank and shariah compliant DFI with which funds are placed should not be lower than AA;
- d) Rating of any shariah compliant NBFC and Modaraba with which funds are placed shall not be lower than AAA;
- e) At least 10% of the net assets shall be invested in deposit with Islamic Banks or Islamic Banking Windows (excluding TDRs) or shariah complaint government securities not exceeding 90 days' maturity;
- f) Exposure to any single entity shall not exceed 15% for the Shariah compliant money market sub fund;
- g) Exposure in security of an entity shall not exceed 15% for the Shariah compliant money market sub fund or 10 % of size of the issue of that security; whichever is lower.
- h) The limits specified in clause (f) and (g) above are applicable to all securities mentioned other than the securities issued by Federal Government;
- i) Exposure to securities issued by entities of a single sector shall not exceed twenty five percent (25%) of Net Assets of the money market Sub-fund;
- j) The pension fund manager shall not place funds (including TDR, PLS Saving Deposit, COD, COM, COI, money market placements and other clean placements of funds) of more than 25% of net assets of money market sub sub-fund with all Islamic microfinance banks, Islamic non-bank finance companies and Modarabas;
- k) The weighted average time to maturity of assets of the Shariah compliant Money market Sub-fund, shall be up-to one year and
- l) Time to maturity of any asset in the portfolio of Shariah compliant Government securities such as Government Ijarah Sukuks may be up to five (5) years.

Investment Policy of the Gold Sub Fund-

The Investment Policy of the Gold Sub-Fund as prescribed by the Commission is stated below, and the same will be followed by the Pension Fund Manager:

- a) The Gold Sub-fund of the- Pension Fund shall invest only in those gold contracts that are traded at the Pakistan Mercantile Exchange;
- b) The Shariah compliant Gold Sub-fund shall only invest in contracts traded at Pakistan Mercantile Exchange , for gold which deliverable contracts and storage options are available;
- c) At least seventy percent (70%) of Net Assets of the Gold Sub-fund shall remain invested in gold contracts during the year based on rolling average investment of last ninety (90) days calculated on daily basis;
- d) At least 10% of the net assets of the Gold Sub-fund, based on quarterly average investment calculated on daily basis, shall remain invested in shariah compliant government securities having less than 90 days' time to maturity or kept as deposits with- Islamic Banks, having not less than A plus rating or Islamic Banking Windows, having not less than AA (Double A) rating;
- e) The PFM may invest any surplus (un-invested) funds in shariah compliant government securities having less than one-year time to maturity or keep as deposits with Islamic Banks or Islamic Banking Windows which are rated not less than AA (Double A) by a rating agency registered with the Commission;
- f) The PFM of the Gold Sub-fund shall invest only in Shariah compliant assets;
- g) The PFM shall follow forward pricing mechanism for the Gold Sub-fund and shall mark to market on daily basis the exposure of the Commodity Sub-fund in commodities.
- h) The PFM shall ensure that before launch of the any Commodity Sub-fund, it possesses sufficient systems and employs capable human resource, which includes qualified fund managers with requisite skill set to understand and deal in commodities.

2. Amendment to Clause 4.9

Clause 4.9 “Allocation Schemes offered under Meezan Tahaffuz Pension Fund” is being amended and read as follows:

Meezan Tahaffuz Pension Fund will offer different allocation schemes, which will have different exposure to the Sub Funds of the Pension Fund. The Pension Fund Manager will offer the following Allocation Schemes. The following table presents minimum exposure to each Sub Fund in each Allocation Scheme and details of the Life Cycle Allocation Scheme.

Allocation Scheme	Equity Sub Fund	Debt Sub Fund	Money Market Sub Fund
High Volatility	Min 65%	Min 20%	Nil
Medium Volatility	Min 35%	Min 40%	Min 10%
Low Volatility	Min 10%	Min 60%	Min 15%
Lower Volatility	Nil	Min 40%	Min 40%

For investors willing to seek exposure to Gold Sub-Fund, the following allocations shall apply-

Allocation Scheme	Equity Sub Fund	Debt Sub Fund	Money Market Sub Fund	Gold Sub Fund
High Volatility	Min 40%	Min 20%	Nil	Max 25%
Medium Volatility	Min 20%	Min 40%	Min 10%	Max 15%
Low Volatility	Min 05%	Min 60%	Min 15%	Max 05%
Lower Volatility	Nil	Min 40%	Min 40%	Nil

Note: Volatility here means the downwards or upwards change in Principal amount invested owing to change in price of the securities in the portfolio of a sub-fund.

Life Cycle Allocation Scheme

This Allocation Scheme provides the Participants with an option to allocate their contributions in a pre-planned allocation strategy as per their age. The younger the Participant the higher the allocation towards equity market due to his/ her risk-taking ability with reference to long term horizon.

Note: The Participant has an option to invest up to 25% of the exposure of Equity Sub-Fund in Gold Sub-Fund or as allowed by the Commission from time to time.

The following table provides allocation of the 'Life Cycle Allocation Scheme' within each underlying sub-Funds:

Age	Equity Sub-Fund	Debt Sub-Fund	Money Market Sub-Fund
18- 30 years	80%	20%	0%
31- 40 years	65%	25%	10%
41- 50 years	50%	30%	20%
51- 60 years	40%	30%	30%
61 years and above	10%	40%	50%

Variable Volatility Allocation Scheme

This Allocation Scheme provides the participants with an option to allocate 100% of their contributions in any approved sub-funds being offered under MTPF.

The following table illustrates how the contribution may be made in Variable Allocation Scheme.

Allocation Scheme	Equity Sub-Fund	Debt Sub-Fund	Money Market Sub-Fund	Gold Sub-Fund
Variable Allocation Scheme	Either 0% or 100%	Either 0% or 100%	Either 0% or 100%	Either 0% or 100%

Note: A Participant may select only one of the sub-funds being offered for the Variable Volatility Allocation Scheme.

The exact exposure to each Sub Fund within the Allocation Scheme would be decided by the Pension Fund Manager from time to time. Changes to the percentage exposure under an Allocation Scheme shall be carried out in a manner as prescribed by the Commission from time to time.

Meezan Tahaffuz Pension Fund may provide additional Allocation Schemes or products, as provided for by the Rules and with prior approval of the Commission.

- 1) Given the criteria above, a Participant will choose the percentage of contributions that go in to each sub-fund for individual allocation schemes. The participant may choose to freeze his portfolio allocation and percentages at a point in time and the allocation and percentages may be changed for future contributions. Such change will be allowed twice till retirement.
- 2) If the Pension Fund Manager wants to provide additional allocation schemes or products, it may do so as per provisions of the Constitutive Documents or the VPS Rules/Regulations or circulars or directions of the Commission issued from time to time.
- 3) A Participant shall have the option to select any one of the allocation scheme/ products offered by the Pension Fund Manager.
- 4) In the event no choice is made by the Participant, the PFM, keeping in view the profile and age of the Participant, shall allocate the contributions preferably to an approved Lifecycle Allocation Scheme specified, and if such a scheme has not been offered, then allocate contributions to either Low Volatility (formerly Conservative Allocation Scheme) or Lower Volatility (formerly Very Conservative Allocation Scheme).
- 5) The Pension Fund Manager shall get an undertaking from every Participant that he/she has no objection to the investment and allocation policy determined by the Commission and he or she is fully aware of the risks associated with the investment policy and the allocation policy chosen by him or her.
- 6) The Pension Fund Manager shall make reallocation of the units between the sub-funds at least once a year to ensure that the allocation of units of all the Participants are according to the percentages selected by the Participants or where no selection has been made according to the prescribed allocation policy.

3. Amendment to Clause 5.3

Clause 5.3 "REMUNERATION OF THE PENSION FUND MANAGER" is being amended and read as follows:

A Pension Fund Manager shall charge the maximum level of management fee as disclosed in **Annexure "A"** to pension fund within allowed expense ratio limit and shall also be entitled to an accrued remuneration that has been verified by the trustee and is paid in arrears on monthly basis.

- 1) Provided that pension fund manager may charge variable fee or fixed fee or the combination of both which shall not exceed the limit disclosed in the Offering Document. Pension fund manager shall disclose actual rate of management fee charged as percentage of net asset of pension fund in the monthly fund manager report.
- 2) A Pension Fund Manager may charge sales load maximum up to 3% of the contribution received from any participants of the pension fund. Provided that there shall be no sales load payable in the event of the transfer of individual pension account from one Pension Fund Manager to another Pension Fund Manager.

4. Amendment to Clause 5.5

Clause 5.5 "OTHER FEES AND CHARGES PAYABLE OUT OF THE PROPERTY OF THE FUND" is being amended and read as follows:

All expenses of the MTPF incurred jointly for all the sub funds shall be divided according to the ratio of their respective net assets. However, any expense incurred on behalf of the respective sub fund shall be fully allocated to the particular type of sub fund to which it relates.

(1) The Total Expense Ratio of a pension fund shall be capped as follow: -

- (a) Equity Sub Fund up to 4.5%;
- (b) Money Market Sub Fund up to 2%;
- (c) Debt Sub Fund 2.5%
- (d) Gold Sub Fund up to 2.5%

However, Commodity Schemes which invests in deliverable contracts shall have an expense ratio of up to 3%

(2) The costs incurred in relation to any government levy on funds such as sales tax, Worker's Welfare Fund or Commission fee etc. shall be excluded while calculating Total Expense Ratio

(3) Other fees and charges to be charged to the Fund shall include

1. Remuneration of the pension fund manager for the relevant period;
2. Remuneration of the Trustee for the relevant period;
3. Remuneration of the Shariah Advisor
4. Listing fee payable to the stock exchange, including renewals;
5. charges and levies of stock exchange, national clearing and settlement company and central depository company;
6. Brokerage and transaction costs related to investing and disinvesting of the Fund Property;

7. Legal and related costs incurred in protecting or enhancing the interests of the Fund or the collective interest of the Unit Holders;
8. Bank charges and borrowing/financial costs;
9. Auditors' fees and out of pocket expenses
10. Rating Fee
11. Formation costs amortized over a period not exceeding five years;
12. Taxes applicable to the Fund on its income, turnover, assets or otherwise;
13. Annual fee payable to the Commission; and
14. All expenses incurred by the Trustee in effecting the registration of all registerable fund property in the name of the Scheme;
15. custody and insurances costs relating to the safekeeping of the physical gold in the vault(s) for Commodity Sub Fund.
16. fees and expenses related to registrar services, accounting, operation and valuation services related to CIS;
17. printing costs and related expenses for issuing the quarterly, half-yearly and annual reports, etc.
18. Any amount which the Shariah Advisor may declare to be Haram and to be paid to Charity in accordance with the decision of the Shariah Advisor.
19. selling and marketing expenses for the purpose of opening and maintenance of branches; payment of salaries/commission to sales team and distributors; advertising and publicity expense; development of alternate delivery/distribution channels,
20. Any other costs as mentioned in the Trust Deed.

5. Amendment to Clause 15

Clause 15 "TRANSACTION WITH CONNECTED PERSONS" is being amended and read as follows:

No Pension Fund Manager on behalf of the pension fund shall purchase from or sell any security to any connected person or employee of the Pension Fund Manager except with the approval of its Board of Directors in writing and consent of trustee.

6. Amendment to Glossary 18.12

Definition 18.12 "Business Day/Dealing Day" is being amended and read as follows:

"Business Day/Dealing Day" means a day (such Business Hours thereof) when Banks & Exchanges are open for business in Pakistan and for which Pension Fund Manager is open for business.

7. Amendment to Annexure- A

Annexure-A “Current Level of Front-end, Back-end Loads and Price Adjustment Charge:

The following line is being deleted

~~Management Fee: 1.5% of Average Net Assets of each sub-fund~~

The following table is being inserted

Management Fee	
Equity Sub Fund	Management Fee of up to 3.0% p.a. of average annual net assets calculated on Daily Basis
Money Market Sub Fund	Management Fee of up to 1.0% p.a. of average annual net assets calculated on Daily Basis
Debt Sub Fund	Management Fee of up to 1.5% p.a. of average annual net assets calculated on Daily Basis
Gold Sub Fund	Management Fee of up to 2.0% p.a. of average annual net assets calculated on Daily Basis