

**Fourth Supplemental
Offering Document
of
Meezan Daily Income Fund (MDIF)

Meezan Sehl Account Plan (MSHP)**

Category of CIS	Risk Profile	Risk of Principal Erosion
Islamic Open-end Income Scheme	Low	Principal at Low risk

**Fourth Supplemental Offering Document of
Meezan Daily Income Fund (MDIF)**

Meezan Sehl Account Plan (MSHP)

MANAGED BY

AL MEEZAN INVESTMENT MANAGEMENT LIMITED

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

The **Meezan Daily Income Fund** (the Fund/the Scheme/the Trust/the Unit Trust/MDIF) has been established through a Trust Deed (the Deed) dated **October 26, 2020** under the Trust Act, 1882 entered into and between **Al Meezan Investment Management Limited**, the Management Company, and **Central Depository Company of Pakistan Limited**, the Trustee and is authorized under the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 (the "Rules") and Non-Banking Finance Companies and Notified Entities Regulations, 2008 ("Regulations").

1. Introduction:

Under Meezan Daily Income Fund (MDIF), Al Meezan Investment Management Limited (Al Meezan) shall provide a new allocation plan, namely Meezan Sehl Account Plan (MSHP). This new plan shall be a conservative plan to cater mobile wallet customers capitalizing on the Sehl account initiative as introduced by SECP. In this way Al Meezan will be able to cater the branchless banking segment of the market with high liquidity needs & (24/7) access to digital wallets. The Plan will focus on providing a competitive return to Al Meezan's customers of Sehl account together with the operational flexibility of transferring their funds into and out of the Plan instantly (i.e. 24/7).

2. Investment Objective of the Plan:

The investment objective of the Plan is to meet liquidity needs of investors by providing investors with a 24/7 access to their invested funds through investment in **Shariah Compliant Fixed Income and money market instruments**.

3. Investment Policy of the Plan:

The Plan shall be actively allocated between authorized Shariah Compliant investable avenue as mentioned in the authorized investments table below. The plan shall be subject to such exposure limits as are specified in the Rules, the Regulations and directives issued by SECP from time to time.

4. Changes in Investment Policy:

The investment policy will be governed by directives of the Shariah Advisor and Regulations and/or SECP directives, from time to time. Any fundamental change in the Investment Policy will be implemented only after obtaining prior approval from Shariah Advisor and SECP and giving 30 days prior notice to the Unit Holders or as specified in the Regulations.

5. Authorized Investments:

The Authorized Investments are as follows:

Description	Entity / Instruments Rating	Maximum Exposure	Minimum Exposure	Maximum Maturity
Shariah Compliant Fixed Income Government Securities (including Sukuk) issued or guaranteed by GoP	AAA	75%	0%	N/A
Shariah compliant Money market instruments such as Islamic TDR, Certificate of Islamic Investments (COII), Certificates of Musharaka (CoM), Islamic Certificates of Deposit (CoD), etc. with Islamic Commercial Banks and Islamic DFIs or Islamic windows of Commercial banks and DFIs.	AA or above	75%	0%	6 Months
Cash and Cash equivalents (excluding TDRs): Shariah compliant Government Securities with 90 days maturity and cash with Islamic banks/Windows of Islamic Banks	A+ and above	100%	25%	N/A
Shariah Compliant Placements of funds (including TDR, PLS Saving deposit, COD, COM, COI, Money Market Placements and other clean placements of the funds) with all microfinance banks, non-banking finance companies and Modarabas	AAA	25%	0%	6 Months
Any other Shariah compliant investment which may be authorized by the Fund's Shariah Advisors and SECP	AA or above	As Specified by SECP in the Approval	0%	6 Months

Note:

Considering the low risk profile of the Fund, weighted average duration of portfolio of securities shall not exceed six months and this condition shall not apply to securities issued by the Federal Government.

1. Investments may be made as per the authorized investment limits given above and may include the following mode of Shariah Transaction such as; principles of Bai'-Mu'ajjal, Bai'-Mussawwama, Bai'-Salam, Istisna'a, Mudaraba, Murabaha and Musharakah or any other structure as approved by the Shariah Advisor from time to time.
2. Weighted average time to maturity of the net assets shall not exceed 4 years and this condition shall not apply to securities by the Federal Government.
3. The Fund, in light of its investment objective and investment policy, shall exclusively invest in Shariah Compliant investments transacted, traded or listed in Pakistan. Any investment made outside Pakistan shall be subject to prior approval of the State Bank of Pakistan and SECP.

6. Benchmark of the Plan:

Six (6) months average deposit rate of three (3) A rated scheduled Islamic Banks or Islamic windows of conventional banks as selected by MUFAP

7. Duration:

The duration of the Plan is perpetual. However, SECP or the Management Company may wind it up or revoke, on the occurrence of certain events as specified in the Regulations or the Offering document of MDIF.

8. Minimum Initial Investment & Minimum Subsequent Investment:

The Minimum Initial Investment Shall be Rs. 1,000. The minimum Subsequent Investment shall be Rs. 500.

9. Maximum Investment Limits:

1. Annual Investment limit shall be Rs. 100,000/- (This limit will be calculated from the account opening date)
2. Overall Investment limit shall be Rs. 200,000/- (It will not include organic growth)
3. Transactional limit is Rs. 25,000/-

Transaction limits are treated separately for both investment and redemption.

10. Investment & Redemption Process:

The Plan shall be (24/7) plan with no specified Cut off timings. Any investment or redemption received at any time will be processed instantly based on last available NAV. Details of the Account Opening, Investment and Redemption process are as follows:

10.1 Account Opening & Initial Investment:

- i. Al Meezan's widget shall be made available on digital platform of Telecom Operators (Telcos) in the form of a mini application. This can be accessible by the customer when they log in to the platform provided by Telcos.
- ii. **The following basic information shall be required on the account opening screen:**
 - a. Name and Father's name
 - b. CNIC Number
 - c. CNIC issuance date and expiry date
 - d. Contact details (Mobile number)
 - e. Occupation
 - f. Source of income (Only information, no documentary evidence)
- iii. The above information (already available with Telcos) will be transferred from the digital platform of Telcos to the system of Al Meezan upon confirmation of such information by the customer. No additional data entry will be required from customer.
- iv. Upon submission/ confirmation of required information by the customer, they shall be allowed to access Al Meezan's investment page in the mobile application (Refer to clause 10.1.(i) above).
- v. **On the investment page, the following parameters shall be entered by the customer:**
 - a. Fund name (Auto selection as only designated plan will be appearing)
 - b. Amount of investment
 - c. Minimum initial investment will be Rs. 1,000
- vi. Once the selection is made by the customer, they shall be routed to separate screen for transferring of funds.
- vii. After the customer acknowledge the transaction, their account shall be debited and plan's designated merchant account with Telco will be credited instantly.

- viii. Upon confirmation of funds transfer through Application Programming Interface (API) connectivity, the customer's account statement will be updated instantly and confirmation SMS will be sent on registered cell number provided in point 10.1.(ii) above.
- ix. The Investment received by Al Meezan shall be processed on the basis of last available NAV.
- x. A transaction statement shall be sent to the customer along with investment acknowledgement letter.
- xi. All investment received during the day in merchant account will be transferred at day end to the Fund's/ Plan's profit bearing bank account.

10.2 Subsequent Investment:

- i. The Customer shall be required to enter the following details on investment screen:**
 - a. Portfolio number (Auto selection)
 - b. Fund name (Auto selection as only designated plan will be appearing)
 - c. Amount of investment
 - d. Minimum investment will be Rs. 500
- ii. Once the selection is made by the customer, they shall be routed to separate screen for transferring of funds .
- iii. After the customer acknowledges the transaction, their account shall be debited and plan's designated merchant account with Telco will be credited instantly.
- iv. Upon confirmation of fund transfers through API connectivity, customer's account statement will be updated instantly and confirmation SMS will be sent on registered cell number provided in point 10.1.(ii) above .
- v. Investment will be processed on the basis of last available NAV.
- vi. A transaction statement shall be sent to the customer along with investment acknowledgement letter.
- vii. All investment received during the day in merchant account will be transferred at day end to the Fund's/ Plan's profit bearing bank account.

10.3 Redemption:

- i. **The Customer shall be required to enter the following details on investment screen :**
 - a. Portfolio # (Auto selection)
 - b. Fund name (Auto selection)
 - c. Amount to redeem
- ii. The customer's account will be instantly credited with redemption amount and funds from plan's merchant account will be debited.
- iii. Upon receipt of redemption confirmation through API connectivity, customer's account statement will be updated and units will be redeemed instantly.
- iv. Confirmation SMS will be sent on registered cell number provided in point 10.1.(ii) above.
- v. Redemption will be processed on the basis of last available NAV.
- vi. A transaction statement shall be sent to the customer along with investment acknowledgement letter.

11. Pricing Mechanism:

In order for the Plan to allow provision for 24/7 transactions, the Plan shall follow Backward Pricing Mechanism. Under backward pricing the last computed/available NAV shall be used for issuance and redemption of units.

Upon receipt of complete application along with the online payment within cutoff timings, the closing NAV of the day immediately preceding the day of receipt of application shall be allocated for the transaction.

Similarly, upon receipt of redemption request within cut-off timings, Al Meezan shall allocate the closing NAV of the day immediately preceding the day of receipt of application.

12. Level of Loads & Management Fee:

The Plan shall not charge any Front end or Back end load.

The Plan shall charge a Management fee of up to 1.0% of net assets of the plan calculated on a daily basis.

13. Bank Accounts:

Clause 3.13.1 of the Offering Document of MDIF pertaining to 'Bank Accounts' apply to this Plan except for following clauses:

Clause 3.13.1 (a) which shall apply as under:

The Trustee, at the request of the Management Company, shall open Bank Account(s) titled “**CDC Trustee – Meezan Daily Income Fund – Meezan Sehl Account Plan**” or any other account as deemed necessary, with abbreviated/facilitated titles for the Unit Trust at designated Bank(s) inside or outside Pakistan, subject to the relevant laws, Trust Deed, Rules and Regulations, for collection, investment, redemption or any other use of the Trust’s Funds.

14. Dividend distribution

The Plan will comply with regulatory and taxation requirements and the distribution policy may be amended accordingly after intimation to Trustee and SECP.

15. Risk Control in Investment Process:

- a. The Management Company shall ensure that effective risk control measures are in place for the protection of the Unit Holders' interests.
- b. The objective of the risk control process is endeavor to monitor and manage the various types of risks, including market risks, credit risks and operational risks, with a view to achieving the investment objective of the Scheme.
- c. Exposure to the Authorized Investments shall be determined based on the fund manager’s outlook on the economy, the Capital / Money market and any other factor considered important by the Management Company towards effective discharge of its duties under the Regulations, the Deed and this Offering Document.

16. Taxation and Zakat for Unit Holder:

Unitholders may be liable to pay tax even though they may not have earned any gain on their investment as return of capital through distribution to investors is also taxable as per Income Tax Ordinance, 2001.

17. Risk Disclosure:

Investors must realize that all investments in mutual Funds and securities are subject to market risks. Our target return / dividend range cannot be guaranteed and it should be clearly understood that the portfolio of the Allocation plans is subject to market price fluctuations and

other risks inherent in all such investments. The risks emanate from various factors that include, but are not limited to:

1. **Interest Rate Risk** - A rise or decline in interest rates during the investment term may result in a change in return provided to the investors.
2. **Government Regulation Risk** - Government policies or regulations are more prevalent in some securities and financial instruments than in others. Funds that invest in such securities may be affected due to change in these regulations or policies, which directly or indirectly affect the structure of the security and/or in extreme cases a governmental or court order could restrain payment of capital, principal or income.
3. **Country or Political Risk** - This is the uncertainty of returns caused by the possibility of a major change in the political or economic environment of the country such as break down of law and order, war, natural disasters, etc. and any governmental actions, legislative changes or court orders restraining payment of principal or income
4. **Credit Risk** - Credit Risk comprises Default Risk and Credit Spread Risk. Each can have negative impact on the value of the income and money market instruments including Sukuks etc.:
 - **Default Risk** - The risk that the issuer of the security will not be able to pay the obligation, either on time or at all;
 - **Credit Spread Risk** - The risk that there may be an increase in the difference between the return/markup rate of any issuer's security and the return/markup rate of a risk-free security. The difference between this return/mark up rates is called a "credit spread". Credit spreads are based on macroeconomic events in the domestic or global financial markets. An increase in credit spread will decrease the value of income and including money market instruments;
5. **Price Risk** - The price risk is defined as when the value of the Fund, due to its holdings in such securities rises and falls as a result of change in interest rates.
6. **Liquidity Risk** – Liquidity risk is the possibility of deterioration in the price of a security in the Fund when it is offered for sale in the secondary market.
7. **Settlement Risk** – At times, the Fund may encounter settlement risk in purchasing / investing and maturing / selling its investments which may affect the Fund's performance etc.
8. **Reinvestment Rate Risk** –In a declining interest/ markup rate economic environment, there is a risk that maturing securities or coupon payments will be reinvested at lower

rates, which shall reduce the return of the Fund compared to return earned in the preceding quarters.

9. **Sovereign Risk** - Payment of bonds/ notes may be affected by the economic and political events in the country of the relevant issuer. The occurrence of a sovereign risk event could result in the loss of all or a portion of the principal invested, as a result of any economic or political circumstance.
10. **Events Risk** - There may be adjustments to the performance of the Fund due to events including but not limited to, natural calamities, market disruptions, mergers, nationalization, insolvency and changes in tax law.
11. **Redemption Risk** - There may be special circumstances in which the redemption of Units may be suspended or the redemption payment may not occur within the stipulated time or six working days of receiving a request for redemption from the investor.
12. **Distribution Risk** - Dividend distribution may also be liable to tax because the distributions are made out of the profits earned by fund and not out of the profits earned by each unitholder. Unitholders who invest in a fund before distribution of dividends may be liable to pay tax even though they may not have earned any gain on their investment as return of capital to investors upon distribution is also taxable.
13. **Technology Risk**-The risk associate with the use of technology in financial services may be realized as a result temporary disruption in business operation and delay in services.
14. **Cyber Security Risk**-Increased use of digital services and internet in financial services may attract cyber security breaches as a result financial fraud. Unit holders are advised to keep their IDs and passwords safe and protected. The unit holders must change their passwords frequently and do not share IDs and passwords with anyone else.
15. **Shariah non-compliance Risk**- The risk associated with employing funds in investments that are not consistent with the Shariah as defined in the glossary section of this offering document.

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) and financial statements of the Scheme

are available on the website of the Management Company and can be obtained by calling / writing to the Management Company.

18. Warning & Disclaimer:

Warning:

- If you are in any doubt about the contents of this Offering Document, you should consult your Shariah scholar/consultant, bank manager, Legal advisor, or other financial advisor. The price of the Units of this Fund and the income of this Fund (from which distributions to Unit Holders is made) may increase or decrease.
- Investment in this Plan is suitable for investors who have the ability to take the risks associated with financial market investments. Capital invested in the financial markets could in extreme circumstances lose its entire value. The historical performance of this Fund, other Funds managed by the Management Company, the financial markets, or that of any one security or transaction included in the Fund's portfolio will not necessarily indicate future performance.

Disclaimer:

- The Units of the Plan are not bank deposits and are neither issued by, insured by, obligation of, nor otherwise supported by SECP, any Government Agency, Trustee (except to the extent specifically stated in this document and the Trust Deed) or any of the shareholders of the Management Company or any of the Pre-IPO Investors or any other bank or financial institution. The portfolio of the Plan is subject to market risks and risks inherent in all such investments.
- Plan's target return/ dividend range cannot be guaranteed. Plan's Unit price is neither guaranteed nor administered/ managed; it is based on the NAV that may go up or down depending upon the factors and forces affecting the capital markets and interest rates.

19. Definitions:

"Asset Management Company" means an asset Management Company as defined in the Rules and Regulations.

"Back-end Load" means the charge deducted from the Net Asset Value in determining the Redemption Price; provided however that different levels of Back-end Load may be applied to different classes of Units, as specified in this document.

“Bank” means institution(s) providing banking services under the Banking Companies Ordinance, 1962, or any other regulation in force for the time being in Pakistan, or if operating outside Pakistan, under the banking laws of the jurisdiction of its operation outside Pakistan.

“Bank Accounts” means those account(s) opened and maintained for the Trust by the Trustee at Islamic Banks or Islamic Windows of Conventional Banks, the beneficial ownerships in which shall vest in the Unit Holder(s).

“Front-end Load” means the Sales load which may be included in the offering price of the Units; provided however that different levels of Front-end Load may be applied to different investors, as determined by the Management Company.

“Net Assets”, in relation to the Trust, means, the excess of assets over liabilities of the Scheme as calculated in accordance with the Regulations.

“Net Asset Value” or “NAV” means per Unit value of the Trust arrived at by dividing the Net Assets by the number of Units outstanding.

“Shariah” means divine guidance as given by the Holy Qur’an and the Sunnah of Holy Prophet Muhammad (PBUH) and embodies all aspects of the Islamic faith, including beliefs, practices, rules and principles as per the interpretation of the Shariah Advisor of the fund.

“Sehl Account” means a small digital mutual fund account opened through telcos without providing any additional information or document.