

**5TH Supplementary Offering Document of
Meezan Financial Planning Fund of Funds (MFPF)**

**offering
Meezan Asset Allocation Plan II (MAAP – II)**

Managed by Al Meezan Investment Management Limited, a public limited company incorporated under companies' ordinance 1984 and licensed under Non Banking Finance Companies (Establishment and Regulation) Rules 2003.

SECP has approved this Supplementary Offering Document vide its **letter No. SCD/AMCW/MFPFOF/166/2015** dated **November 13, 2015**, under regulation 54 of NBFC Regulations 2008. It must be clearly understood, that in giving this approval, SECP does not take any responsibility of the financial soundness of the Plan nor for the accuracy of any statement made in this Supplementary Offering Document.

1. Introduction

Under MFPF, Al Meezan Investment Management Limited (Al Meezan) shall provide a new allocation plan, namely **Meezan Asset Allocation Plan – II (MAAP- II)**

This new allocation plan shall provide investors a means to earn potentially high returns by investing in the underlying asset schemes offered by MFPF, in varying ratios, as determined by the Fund Manager's expectation of market's outlook.

This Plan shall seek to allocate to Fixed Income/Money Market and Equity Mutual Funds in the following indicative percentages:

	Indicative Minimum percentage allocation invested in Collective Investment Scheme(s)	
Name of Allocation Plan	Equity asset Scheme	Fixed Income/Money Market asset Scheme
Meezan Asset Allocation Plan –II (MAAP - II)	0-100%	0-100%

2. Investment Objective of – Meezan Asset Allocation Plan-II (MAAP-II)

The objective of Meezan Asset Allocation Plan-II (MAAP-II) is to earn a potentially high return through asset allocation between Shariah Compliant Equity Schemes and Shariah Compliant Income/Money Market Schemes.

3. Benchmark:

Weighted average daily return of KMI 30 Index and 6 month deposit rate of A rated (and above) Islamic Banks or Islamic Banking windows of scheduled commercial banks, based on the actual

proportion of investment in Equity and Fixed Income/ Money Market component made by the allocation plan.

4. Investment Policy

- 4.1. The allocation plan will actively allocate its portfolio between the Equity asset Schemes and Fixed Income/Money Market asset Schemes based on the macroeconomic view and outlook of such asset classes.
- 4.2. For exposure to equities, this Plan shall primarily be invested in Islamic Equity and Islamic Index Funds managed by Al Meezan and also other Asset Management Companies subject to the prior approval of Shariah Advisor. Whereas for taking exposure to Fixed Income/Money Market, the Plan shall invest in Islamic Money Market and Islamic Fixed Income Scheme(s) managed by Al Meezan or any other Asset Management Companies as well as in Cash at Bank Accounts of Islamic Banks and licensed Islamic Banking windows of conventional Banks (excluding TDR) as approved by Shariah Advisor.
- 4.3. A list of permissible investment avenues, along with indicative percentage allocation and rating of instruments, is as follows:

Asset Scheme	Entity/ Rating	Instrument	Minimum exposure	Maximum exposure
Shariah Compliant Equity / Index Tracker Schemes	N/A		0%	100%
Shariah Compliant Fixed Income /Money Market Schemes	N/A		0%	100%
Cash at Bank accounts of Islamic Banks and licensed Islamic Banking windows of conventional Banks as approved by Shariah Advisor	A and above		0%	10%
Any other instruments as permitted by the Rules, The Regulations and approved for investment by the SECP and the Shariah Advisor, from time to time	N/A		0%	100%

- 4.4. The Management Company may invest or disinvest in/ from Collective Investment Schemes (CIS) mentioned in clause 4.3 above. The Management Company may also invest in any other Collective Investment Schemes available to it, as categorized according to SECP Circular 7 of 2009 in either of the above mentioned asset classes.
- 4.5. The asset allocation is aimed at providing optimum returns through participation in Shariah Compliant Equity CIS and Shariah Compliant Income/Money Market CIS. However it is clarified that Al Meezan does not make any guarantee of returns.
- 4.6. The allocation between the Equity asset schemes and the Fixed Income/Money Market asset schemes will vary depending upon the perceived outlook of the Fund Manager, which will be

based on macroeconomic outlook, value of underlying securities/ Schemes and any other factor relevant toward investment decision making.

4.7. The Fund Manager shall exercise due prudence and judgment towards executing a sound asset allocation strategy.

4.8. Changes in Investment Policy

The investment policy will be governed by directives of the Shariah Advisor and Regulations and/or SECP directives. Any fundamental change in the Investment Policy will be implemented only after obtaining prior approval from Shariah Advisor, SECP and giving 90 days prior notice to the Unit Holders as specified in the Regulations.

5. Subscription to the Plan

5.1. Subscription to the Plan shall be open from **24th November 2015** to **11th January 2016**, both days being inclusive.

5.2. The allocation plan shall be closed from time to time and may be re-opened as and when determined by the Management Company with prior approval of the Commission under intimation to the Trustee and by providing notice to investors in order to protect the interests of the Unit Holders of the allocation plan. The Management Company shall comply with the terms of approval specified by the Commission, to protect the interest of Unit Holders.

6. Basic features of –MAAP- II

Term/Duration of the allocation plan: Perpetual. However, the Initial Maturity of the allocation plan shall be two (2) years from the close of the subscription period.

Initial Subscription Period: 24th November 2015 to 11th January 2016, both days being inclusive.

Front-end load: 0-3%

Management Fee: 1%, chargeable in case investments are not made in underlying Collective Investment Schemes managed by Al Meezan

Back-End Load: nil

Contingent Load:

Contingent Load	
If redeemed within one year of close of initial subscription period	3%
If Redeemed after one year from close of initial subscription period	0%

7. Bank Accounts

Clause 4.10. of the Offering Document of MFPF pertaining to 'Bank Accounts' apply to MAAP - II except for:

Clause 4.10.1 which shall apply for MAAP - II as under:

The Trustee, at the request of the Management Company, shall open Bank Accounts titled "**CDC - Trustee Meezan Financial Planning Fund of Funds – Meezan Asset Allocation Plan – II**" or any other account as deemed necessary, with abbreviated/facilitated titles at designated Bank(s) in Pakistan, with rating as per the Rules, the Regulations and directives issued by the Commission from time to time.

Clause 4.10.4 which shall apply for MAAP - II as under:

The Trustee shall, if requested by the Management Company open Bank Accounts titled "**CDC -Trustee Meezan Financial Planning Fund of Funds – Meezan Asset Allocation Plan – II**", or any other account as deemed necessary with abbreviated/facilitated titles in offshore countries where the Investments are made on account of the plan, 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 if required 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 plan. 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 State Bank of Pakistan and the exchange control regulations, as well as any directives of the State Bank of Pakistan and/or the SECP.

8. Purchase of Units

Clause 5.6. of the Offering Document of MFPF pertaining to 'Purchase Procedure-Issue of Units' apply to MAAP - II except for Clause 5.6.2 (h) which shall apply as under:

Application for Purchase of Units shall be made by completing the prescribed Investment Application Form and submitting it to the authorized branches of the Distributor or to the Management Company together with the payment by cheque, bank draft, pay order or online transfer as the case may be in favor of Trustee Bank Account and crossed "Account Payee only" as specified below;

- Demand draft or Pay order in favor of "**CDC -Trustee Meezan Financial Planning Fund of Funds – Meezan Asset Allocation Plan –II**"
- Online transfer to Bank Account(s) of "**CDC -Trustee Meezan Financial Planning Fund of Funds – Meezan Asset Allocation Plan – II**"
- Cheque (account payee only) marked in favor of "**CDC -Trustee Meezan Financial Planning Fund of Funds – Meezan Asset Allocation Plan – II**"

10. Risk Control in the 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 to 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 allocation plan.
- (c) Exposure to the Equity Component shall be determined by the Fund Manager, which shall be selected based on the Management Company's outlook on the economy, the equity market and any other factor considered important by the Management Company towards effective discharge of its duties under the Regulations and this Supplementary Offering Document.
- (d) Based on a change in factors mentioned above, the Management Company may, at its discretion, change the allocation to the Equity component, as and when considered necessary.

11. 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.

12. 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 plan is subject to market price fluctuations and other risks inherent in all such investments. The risks emanate from various factors that as mentioned in include, but are not limited to:

- (1) **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 profit rates.
- (2) **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.
- (3) **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.
- (4) **Reinvestment Rate Risk** –In a declining profit 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.
- (5) **Redemption Risk** - There may be special circumstances in which the redemption of Units may be suspended or the redemption payment may not occur within six working days of receiving a request for redemption from the investor.
- (6) **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.
- (7) **Plan Specific Risks**

- (a) The performance of the allocation plan may be affected by changes in risk associated with trading volumes, liquidity and settlement systems in equity and debt markets.
- (b) Unit Holders are not being offered any guaranteed returns.
- (c) The plan may not fulfill its Investment Objective.
- (d) If the allocation plan for any reasons as determined by the Management Company is terminated, the NAV of the allocation plan will be subject to fluctuations in its asset value. The Net Asset Value, in this case, may be lower or higher than the Initial Investment Value. The Management Company will refund investors their investment in the allocation plan based on the NAV per Unit after deducting bank and administrative charges (if any).
- (e) There may be times when a portion of the investment portfolio of the allocation plan is not compliant either with the investment policy or the 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.

13. Warning and Disclaimer

(a) Warning

- i. If you are in any doubt about the contents of this Supplementary Offering Document, you should consult your bank manager, legal advisor, or other financial advisor. The price of the Units of this allocation plan and the income of this allocation plan (from which distributions to Unit Holders is made) may increase or decrease.
- ii. Investment in this allocation 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 allocation plan, other Funds managed by the Management Company, the financial markets, or that of any one security or transaction included in the allocation plan's portfolio will not necessarily indicate future performance.

(b) Disclaimer

- i. The units of the allocation 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 Supplementary Offering Document) or any of the shareholders of the Management Company or any other bank or financial institution. The portfolio of the allocation plan is subject to market risks and risks inherent in all such investments.
- ii. The allocation plan's target return/ dividend range cannot be guaranteed. The allocation 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.

14. Takaful

The Management Company may provide Takaful coverage to MAAP-II investors after seeking consent from the Trustee and approval from the Commission and Shariah Advisor. Terms and Conditions of Takaful coverage shall be posted on Al Meezan's website.

Definitions:

"Contingent Load" means a Load payable by the Unit Holder of this Allocation Plan, which will be applicable only in case of redemption of units within one year of close of initial subscription period of this Allocation Plan. Any Contingent Load received will form part of the Fund Property.

"Initial Maturity" means two (2) years, starting from the day following the close of initial subscription period. After the end of the Initial Maturity the Management Company may announce a subsequent Initial Maturity for certain duration, to commence from the day following the close of a subsequent Initial Period. Existing Unit Holders however, shall have the option to either remain invested in the allocation plan or exit the allocation plan through Redemption of Units, without any applicable Back End Load/ Contingent Load, only after end of Initial Maturity and prior to commencement of the subsequent subscription period.

"Takaful" means Shariah-compliant insurance coverage, provided by Takaful Company for the benefit of the investors.