

Last updated through Fourth Supplemental dated  
January 03, 2022

**1st Supplementary Offering Document of  
Meezan Strategic Allocation Fund (MSAF)**

**offering  
Meezan Strategic Allocation Plan II (MSAP – II)**

Category of CIS	Risk Profile	Risk of Principal Erosion
Islamic Fund of Funds	High	Principal at high risk

**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/MSAF/339/2016** dated **December 07, 2016**, 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 Meezan Strategic Allocation Fund (MSAF), Al Meezan Investment Management Limited (Al Meezan) shall provide a new allocation plan, namely Meezan Strategic Allocation Plan – II (MSAP- II)

This new allocation plan shall provide investors a means to earn potentially high returns by investing in the underlying asset schemes offered by MSAF, 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 Schemes 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 Strategic Allocation Plan –II (MSAP - II)	0-100%	0-100%

## 2. Investment Objective of – Meezan Strategic Allocation Plan-II (MSAP-II)

MSAP-II will actively allocate its portfolio between the Shariah Compliant equity schemes and Shariah Compliant fixed income/money market schemes based on the macroeconomic view of the fund manager on such asset classes.

## 3. Benchmark:

Weighted average return of KMI-30 Index, 6 months average deposit rates of three (3) A rated Scheduled Islamic Banks or Islamic windows of Conventional Banks as selected by MUFAP, Six months PKISRV Rates and three (3) months average deposit rates of three (3) AA rated Islamic Banks or Islamic windows of conventional banks as selected by MUFAP based on the actual proportion of investment in Equity, Income / Money Market schemes made by the allocation Plan.

## 4. Investment Policy

- 4.1. For taking exposure to equities, the Allocation Plan shall primarily invest in Shariah Compliant Equity and Islamic Index Schemes managed by Al Meezan and also other Asset Management Companies subject to the prior approval of the Shariah Advisor. Whereas for taking exposure to Fixed Income / Money Market asset classes, the Plan shall invest in Shariah Compliant Money Market and Shariah Compliant Fixed Income Schemes managed by Al Meezan or other Asset Management Companies as well as in Cash at Bank accounts of Islamic Banks and licensed Islamic Banking windows of conventional Banks (excluding TDRs) and Shariah GOP Ijara Sukuk not exceeding 90 days remaining maturity as approved by the Shariah Advisor.
- 4.2. A list of permissible investment avenues, along with indicative percentage allocation and rating of instruments, is as follows:

Asset Class/Scheme	Entity/ Instrument Rating	Minimum exposure	Maximum exposure
Shariah Compliant Equity / Equity Index 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 (excluding TDRs) and Shariah GOP Ijara Sukuk not exceeding 90 days remaining maturity.	A and above	0%	10%
Any other schemes 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%

### Note:

- The actual allocation percentages may vary on account of market factors and investments in Cash/ near cash instruments as permitted for the Fund of Funds Category, as per SECP directive from time to time.

- Investment may take up to a month to be deployed according to the allocation strategy.
  - Cash at Bank limit of 10% may go up in order to meet redemption requirements.
- 4.3. The Management Company may invest in or disinvest from Collective Investment Schemes (CIS) mentioned in clause 4.2 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.
  - 4.4. The Management Company may add or remove a CIS Category mentioned in Clauses 4.1 and 4.2, with prior consent of Trustee and Approval of the Commission, and may announce the same by a Supplementary Offering Document(s).
  - 4.5. 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.
  - 4.6. The Fund Manager shall exercise due prudence and judgment towards executing a sound asset allocation strategy. However, it is clarified that Al Meezan does not make any guarantee of returns.
  - 4.7. **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. Duration of the Allocation Plan-(MSAP-II)

The Term/ Duration of the Allocation Plan is Perpetual. However, the Initial Maturity of MSAP-II was two (2) years from the close of the initial subscription period & as extended previously by the Management Company. Management Company may re-open the subscription of units after with the prior approval of the Commission.<sup>1</sup>

## 6. Subscription to the Allocation Plan-(MSAP-II)

MSAP-II will be initially open for subscription from **21<sup>st</sup> December 2016** to **XXXXXXXXXXXXXX**, both days inclusive. Subscription for the allocation plan is for limited time period only. Units shall be issued to investors at the prevailing NAV, during subscription period. The units shall be subject to Front-end and a Back end/ Contingent Load as disclosed in this Supplementary Offering Document.

## 7. Fee Structure of the Allocation Plan-(MSAP-II)

**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:**

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<sup>1</sup> Amended through Fourth Supplemental dated January 3, 2022.

<b>Contingent Load</b>	
If redeemed within one year of close of subscription period	<b>3%</b>
If Redeemed after one year from close of subscription period	<b>0%</b>

## **8. Bank Accounts**

Clause 3.13.1 of the Offering Document of MSAF pertaining to 'Bank Accounts' apply to MSAP - II except for following clauses:

Clause 3.13.1 (a) which shall apply for MSAP - II as under:

*The Trustee, at the request of the Management Company, shall open Bank Account(s) titled “**CDC Trustee – Meezan Strategic Allocation Fund – Meezan Strategic Allocation Plan – II**” 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.*

Clause 3.13.1 (f) which shall apply for MSAP - II as under:

*The Trustee shall, if requested by the Management Company at its discretion also open a separate Account designated by the Management Company. These account(s) may be used for the purpose of collection of sale proceeds, 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). Such account(s) may also be used for temporary parking for the purpose of redemption. Provided however, in relation to the other unit trusts managed by the Management Company mentioned above, there are similar provisions in the trust deeds of such Funds and have Trustee as common between them, such accounts shall be in the title of “**CDC Trustee - Meezan Strategic Allocation Fund- Meezan Strategic Allocation Plan – II**” or **CDC Trustee – Meezan Funds**”.*

## **9. Purchase of Units**

Clause 4.6.4 of the Offering Document of MSAF pertaining to “Purchase of Units” apply to MSAP - II except for Clause 4.6.4 (b) 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;*

**For Meezan Strategic Allocation Plan – II:-**

*Payment instrument for purchase of units shall be made in favor of “**CDC Trustee – Meezan Strategic Allocation Fund – Meezan Strategic 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) **Shariah Non-Compliance Risk**- The risk associated with employing funds in investments that are not consistent with the Shariah as defined in the offering document of MSAF.
- (8) **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 MSAP-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"** was two (2) years, starting from the day following the close of the Initial Subscription Period of Meezan Strategic Allocation Plan-II (MSAP-II) and as mentioned in the respective Supplementary Offering Documents for additional Allocation Plans.

The Management Company had previously extended the initial maturity periods thrice for one year each, which closed on January 31, 2020, on January 31, 2021 and on January 31, 2022 respectively.

The Management Company has further extended the Initial Maturity indefinitely. During the extended period, Unit holders shall have the option to either remain invested in the plan or exit the plan, without any applicable Back End Load/ Contingent Load.<sup>2</sup>

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

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<sup>2</sup>Amended through Fourth Supplemental dated Jan-3-2022.

(Previously amended through Third Supplemental dated December 18, 2020, Second Supplemental dated January 7, 2020, First Supplemental dated January 14, 2019)