

**2<sup>nd</sup> Supplemental to the  
4<sup>th</sup> Supplementary Offering Document of  
Meezan Financial Planning Fund of Funds (MFPF)**

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

**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.**

**Preamble:**

The Management Company extends the offer of MAAP-I for yet another term under this document. MAAP - I was approved by SECP vide its letter No: SCD/AMCW/MBF/388/2015 dated June 12, 2015, under regulation 54 of NBFC Regulations 2008.

SECP has now approved this supplement to the 4<sup>th</sup> Supplementary Offering Document of MFPF, allowing further extension in MAAP - I vide its letter No: **SCD/AMCW/MFPFoF/86/2017** dated **October 06, 2017**, 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 shall provide allocation plan for second term, namely Meezan Asset Allocation Plan – I (MAAP- I)

This 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 outlook.

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

	<b>Indicative percentage allocation invested in Collective Investment Scheme(s)</b>	
<b>Name of Allocation Plan</b>	<b>Equity asset Scheme</b>	<b>Fixed Income/Money Market asset Scheme</b>
Meezan Asset Allocation Plan –I (MAAP - I)	0-95%	0-95%

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

The objective of Meezan Asset Allocation Plan-I (MAAP-I) 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 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. The allocation plan will actively allocate its portfolio between the Equity Schemes and Fixed Income/Money Market Schemes based on the macroeconomic view and outlook of such asset classes.
- 4.2. 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, subject to the prior approval of the Shariah Advisor, as well as in Cash at Bank accounts of Islamic Banks and licensed Islamic Banking windows of conventional Banks (excluding TDRs) approved by Shariah Advisor and GOP Ijara Sukuk not exceeding 90 days remaining maturity as approved by the Shariah Advisor.
- 4.3. 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%	95%
Shariah Compliant Fixed Income /Money Market Schemes	N/A	0%	95%
Cash at Bank accounts of Islamic Banks and licensed Islamic Banking windows of conventional Banks (excluding TDRs) and GOP Ijara Sukuk not exceeding 90 days remaining maturity and money market schemes.	A and above*	5%	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.
- For the Purpose of meeting requirement of minimum cash and near cash instruments, investment in money market schemes shall also be treated as equivalent to cash and near cash instrument and minimum rating of A and above would not be applicable in that case.

**4.4.** 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.

**4.5.** The Management Company may add or remove a CIS Category mentioned in Clauses 4.1 and 4.2, with prior consent of Trustee, Shariah Advisor and Approval of the Commission, and may announce the same by a Supplementary Offering Document(s).

**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. However, it is clarified that Al Meezan does not make any guarantee of returns.

## **5. 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.

## **6. Subscription to the Plan**

**6.1.** Subscription to the Plan for its second term shall be open from **October 23, 2017** to **XXXXXXXX**, both days being inclusive. Only during this second period of subscription, existing investors shall have the option to redeem their investment without charge of Contingent Load.

**6.2.** Existing Unit Holders till Initial Maturity shall have the option to either remain invested for another term/duration as mentioned in Clause 7. However, those investors who want to redeem/convert from MAAP-I after the completion of initial Maturity can do so without charge of Contingent Load. However, the unitholder must convey his/her intention (either to remain invested for another term or redeem/convert) to the Management Company through the designated Form/Letter within the stipulated time period. In case the consent of unitholder is not received, the investment shall automatically be redeemed after the completion of initial maturity as per the terms and conditions of the offering document.

6.3. 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.

## 7. Term/Duration of the Plan

The life of the Plan shall be two (2) years starting the day following the close of the above mentioned subscription period. After the end of the duration, the proceeds shall be distributed among the Unit Holders as per the terms of the Offering document.

## 8. Fee Structure of the Allocation Plan-(MSAP-VI)

**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 subscription period	3%
If Redeemed after one year from close of subscription period	0%

## 9. Bank Accounts

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

Clause 4.10.1 which shall apply for MAAP - I 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 – I**" 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 - I 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 – I**", 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.

#### **10. Purchase of Units**

Clause 5.6. of the Offering Document of MFPF pertaining to 'Purchase Procedure-Issue of Units' apply to MAAP - I 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 –I"*

Online transfer to Bank Account(s) of **"CDC -Trustee Meezan Financial Planning Fund of Funds – Meezan Asset Allocation Plan – I"**

- Cheque (account payee only) marked in favor of **"CDC -Trustee Meezan Financial Planning Fund of Funds – Meezan Asset Allocation Plan – I"**

#### **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 MAAP-I 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 subscription period of this Allocation Plan. Any Contingent Load received will form part of the Fund Property.

**"Initial Maturity"** means two (2) years, started from the day following the close of initial subscription period already mentioned in the previously approved Document.

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