

# HBL



Investors are advised in their own interest to carefully read the contents of the Offering Document, in particular Risk Disclosure and Warnings mentioned in Clauses 2.7, 2.9 and 9 respectively, before making any investment decision.



**HBL ASSET MANAGEMENT**  
ایچ بی ایل ایسیٹ منیجمنٹ

**Offering Document**

# **HBL** **Income** **Fund**

**An Open-End Fund**

Managed by

**HBL Asset Management Limited**

(A wholly owned subsidiary of Habib Bank Limited)

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**OFFERING DOCUMENT OF  
HBL INCOME FUND (HBL-IF)**

**Date of Publication of Offering Document 7<sup>th</sup> March 2007**

**(Managed by HBL Asset Management Limited registered under Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 (NBFC Rules)**

Initial Offering Period: March 15, 2007 to March 17, 2007 (both days inclusive)

**INTRODUCTION**

HBL-Income Fund (HBL-IF) (the Fund) has been established in Pakistan vide Trust Deed, dated 6<sup>th</sup> September 2006, registered under the Trusts Act, 1882 (11 of 1882) entered into between HBL Asset Management Limited, as the Management Company and Central Depository Company (CDC), as the Trustee, and is authorized under Rule 67 of the NBFC Rules, 2003.

**If you have any doubt about the contents of this Offering Document, you should consult one or more from amongst your legal adviser, stock broker, bank manager, or other financial adviser. Investors must recognize that all investments involve varying levels of risk. The portfolio of HBL-IF consists of market-based investments and is subject to market fluctuations and risks inherent in all such investments. The value of Units in HBL-IF may appreciate as well as depreciate, and consequently the level of dividend declared by HBL-IF may get affected to that extent. Investors are requested to read the Risk Disclosure and Disclaimer statement contained in Clauses 2.7, 2.9 and 9 of this Offering Document.**

## **REGULATORY APPROVAL AND CONSENT**

### **Approval of the Securities and Exchange Commission of Pakistan**

The Securities and Exchange Commission of Pakistan (Commission) has authorized the offer of units of HBL-IF (The Fund) under Rule 67 of the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 (The Rules). The Commission has approved this Offering Document, under Rule 70 of the NBFC Rules.

It must be clearly understood that in giving this approval, the Commission does not take any responsibility for the financial soundness of the fund nor for the accuracy of any statement made or any opinion expressed in this Offering Document.

This Offering Document is governed by the provisions of the Trust Deed. It sets forth information about HBL-IF that a prospective investor should know before investing in Units of HBL-IF. Prospective investors of HBL-IF should consult one or more from amongst their stock broker, bank manager, legal adviser or other financial adviser. The investors are advised to carefully refer to Risk Disclosure and Disclaimer statement contained in clause 2.7, 2.9 and 9 of this Offering Document

### **Filing of the Offering Document**

The Management Company has filed a copy of this Offering Document signed by the Chief Executive along with the documents (1) to (7) below with the Commission. Certified copies of these documents can be inspected at the registered office of the Management Company or the place of business of the Trustee, at addresses provided in Clause 1.1 of this Offering Document.

- (1) Duly registered Trust Deed (Deed) of HBL-IF dated 6<sup>th</sup> September 2006 between HBL Asset Management Limited (the management company), as the establisher and Central Depository Company of Pakistan Ltd. as the Trustee
- (2) Letters from AF Ferguson & Co Auditors of HBL-IF, consenting to the issue of statements and reports.
- (3) The Commission's letter no. SEC/NBFC/AD-Jam/494/2006 dated 25<sup>th</sup> July 2006 approving the appointment of CDC as the Trustee of HBL-IF;
- (4) The Commission's letter no. SEC/NBFC-II/AD-Jam/495/2006 dated 25<sup>th</sup> July 2006 authorizing HBL-IF;
- (5) License for undertaking Investment Advisory and Asset Management Services issued by Commission under its letter no. NBFC/MF-RS/HBL-AMC/191/2006 dated 4<sup>th</sup> April 2006 under NBFC rules;
- (6) The Commission's letter's No. SEC/NBFC-II/AD-JAM/HBLIF/180/2007 dated 2<sup>nd</sup> March 2007, approving this Offering Document.
- (7) SECP's Certificate of Incorporation 00000012123/20060207 dated 17<sup>th</sup> February 2006, registering HBL Asset Management Limited as an Asset Management Company.

## **I – CONSTITUTION OF THE SCHEME**

### **1.1 Constitution**

HBL-IF is an open end fund constituted by a Trust Deed (the Deed) entered into at Karachi between:

- (1) HBL Asset Management Limited (HBL Asset), a company incorporated under the Companies Ordinance 1984, licensed by the Commission to undertake investment advisory and asset management services with its registered office at 403-404 ,The Forum, G 20, Khayaban-e- Jami, Clifton, Karachi Pakistan, as the establisher and the Management Company; and
- (2) Central Depository Company of Pakistan Limited (CDC) a company incorporated under the Companies Ordinance 1984, with its registered office at CDC House 99-B,Block B, Main Shahrah-e-Faisal S.M.C.H.S Karachi, Pakistan as the Trustee

### **1.2 Trust Deed**

This Deed shall be subject to and be governed by the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003, Securities and Exchange Ordinance 1969 and all applicable laws and regulations. The terms and conditions of this Deed and any deed supplemental hereto shall be binding on each Holder.

### **1.3 Modification of Trust Deed**

1. The Trustee and the Management Company, acting together and with the approval of The Commission, shall be entitled by supplemental deed(s) to modify ,alter or add to the provision of this Deed on any of the following grounds:

- (a) to ensure compliance with any applicable laws and regulation;
- (b) to enable the provision of the Deed to be more conveniently and efficiently implemented;
- (c) to enable the units to be listed on the stock exchange: or
- (d) to otherwise benefit the Unit holders.
- (e) any other change without prejudice in the interest of Unit Holders.

Provided that in case of (b), (c) and (d) above such alteration or addition shall not prejudice the interest of the Unit holders; and that in any event, it shall not release the Trustee or the Management Company of their responsibilities

2. Where this Deed has been altered or supplemented the Management Company shall notify the Holders immediately.

3. The Management Company may from time to time frame rules or regulations for conducting the business of the Trust or in respect of any other matter incidental thereto; provided such procedures are not inconsistent with the provisions of the Constitutive Documents and the Rules.

#### **1.4 Duration**

The duration of HBL-IF is perpetual. However, it can be wound up by the Commission or by the Management Company or the Trustee on the occurrence of certain events as stated in clause 11 of this Offering Document under the heading, "Termination of HBL Income Fund".

#### **1.5 Registered Office, Place, Date of Establishment**

The registered address of HBL Asset Management Company Limited (HBL Asset) is at 403-404, The Forum, G 20, Khayaban-e- Jami, Clifton Karachi. The Trust was established on 6<sup>th</sup> September 2006. The official website of the company is [www.hblfunds.com](http://www.hblfunds.com)

## 2 - INVESTMENT OBJECTIVES AND RESTRICTIONS

### 2.1 Investment Objectives

The objective of the Fund is to provide stable stream of income with a moderate level of risk by investing in fixed income securities / instruments.

### 2.2 Investment Policy

Inline with the investment objectives the HBL-IF may invest in the following:

- (a) Bonds, Debentures, Debenture Stock, Participation Term Certificates, Term Finance Certificates, Euro bonds, Global Deposit Receipts of debt securities (GDR), Certificate of Musharafa issued by a Modaraba having a minimum investment grade credit rating, certificate of investment issued by a NBFC having a minimum investment grade credit rating and other asset backed or mortgaged backed securities. Such investments shall include those for ready as well as those for future settlements;
- (b) Treasury bills, Pakistan Investment Bond, Federal Investment Bonds and any other Government Securities;
- (c) Money Market Instruments, Certificates of Deposit and Bankers Acceptances;
- (d) Term deposits in Banks or with financial institutions; including deposits in local currency or in currencies other than the Pakistani Rupee, Certificates of Investment issued by NBFC having a minimum investment grade credit rating.
- (e) Investment in any debt security that may or may not be listed on the Stock Exchange but does not include bearer security or any security that would involve assumption of un-limited liability;
- (f) Repurchase transactions (REPO's) for the purpose and to the extent allowed under the Rules and reverse REPO's against eligible securities.
- (g) Continuous Funding System (CFS) or similar transaction by whatever name called in eligible securities. Investment in CFS shall be restricted upto a maximum of 50% of the Net Assets of the Fund, with no more than twenty (20) percent of CFS amount in any one script at the time of investment.
- (h) Secured and Unsecured, listed or likely to be listed debt securities issued by local governments, other government agencies, private or public sector entities and or financial institutions having a minimum investment grade rating.



- (i) Convertible debt securities issued by corporate/financial institutions having a minimum investment grade rating. In case HBL Income Fund is required to convert the debt securities into shares; it would offload the ordinary shares within a period of three (3) months of the ordinary shares being issued. Total investment by HBL-IF in convertible debt securities will not exceed fifteen (15) percent of its Net Assets.
- (j) Convertible and non-convertible preference shares. In case HBL-IF is required to convert the preference shares into ordinary shares, it would offload the ordinary shares within a period of three (3) months of the ordinary shares being issued. Total investment by HBL-IF in convertible preference shares will not exceed fifteen (15) percent of its Net Assets.
- (k) Certificates of Investment/Deposits issued by financial institutions having a minimum investment grade rating by a credit rating agency registered with the Commission.
- (l) Asset Backed and Mortgage backed Debt Securities.
- (m) Commercial Paper and any other Money market debt security that may or may not be listed on the Stock Exchange but does not include Restricted Investments.
- (n) Spread Transactions i.e. Transactions aimed at earning a spread in the price of securities resulting from the timing difference between ready and future settlements. HBL-IF will buy in the ready settlement market and sell in the future settlement market. Both transactions would be carried out simultaneously so as to avoid any risk emanating from the movement in the prices of underlying securities.
- (o) Warrants, Options, derivatives subject to prior approval of the Commission.
- (p) Foreign fixed income securities issued; listed or otherwise and traded outside Pakistan on such terms, guide lines and directions as may be issued by the Commission and State Bank of Pakistan from time to time.
- (r) Any investment, which has been authorized by the Commission but does not include Restricted Investments.

The Fund will seek diversification by investing in a wide range of fixed income securities such as continuous funding system, government securities, and placement with banks and financial institutions and other forms of securities investments as stated above. The Fund may also seek diversification by earning ready future spread. The portfolio may also seek diversification by investing in securities having various maturity periods. While investing, various factors such as

interest rate forecast, industry fundamentals, credit rating and track record of issuers will also be considered.

### **2.3 Investment Restrictions and Exposure Limits**

The HBL-IF shall follow the investment restrictions and exposure limits imposed by the Rules. In the event of any changes in the investment restrictions in the Rules, restrictions applicable to HBL-IF shall automatically be applied. The present exposure limits and restrictions are stated below:

- a) Investments in Continuous Funding System (CFS), shall be restricted up to a maximum limit of 50% of the Net Assets of the Fund, with not more than 20% of CFS amount in any one scrip at the time of investment.
- b) HBL-IF will not at any time invest in:
  - 1) Shares forming the part of a company's equity;
  - 2) Bearer Securities;
  - 3) Securities on margin;
  - 4) Securities which result in assumption of unlimited liability (actual or contingent);
  - 5) Real estate or interest in real estate save and except in securities which are secured by real estate or interests therein or issued by companies that invest in real estate or interest therein;
  - 6) Anything other than Authorized Investment as defined herein;
  - 7) Participate in a joint account with others in any transaction;
  - 8) Make short sale of any security or maintain a short position

In accordance with diversification policy prescribed under the Rules, the Scheme is required not to invest more than twenty five percent of its Net Assets in securities of any one sector as per classification of the stock exchanges. The investments in securities other than government securities shall be restricted to not more than ten percent of the Net Assets per issuer.

## **2.4 Exception to Investment Restrictions**

In the event the value of the holding in a particular company or sector exceeds the limit laid down in this Offering Document Clause 2.3 or Rules as a result of the relevant movement in the market price of investment or through disinvestment or due to any right offering or conversion of debt, the Management Company shall not make further investment in such company or sector and shall bring the investment within the permissible level within three months.

## **2.5 Borrowing and Borrowing Restrictions**

- 2.5.1 Subject to any statutory requirements and the terms and conditions herein contained the Trustee may, at any time at the written request of the Management Company, concur with the Management Company in making and varying arrangements with Banks or other financial institutions for borrowing by the Trustee for the account of the Trust for meeting redemption requests. Provided that the charges payable to such Bank or financial institution are not higher than the normal bank charges. Provided further that the maximum borrowing for the account of the Trust shall not exceed the limit provided in the Rules and shall be repayable within a period of ninety (90) days but if subsequent to such borrowing, the Net Assets have reduced as a result of depreciation in the market value of the Deposited Property or redemption of Units, the Management Company shall not be under any obligation to reduce such borrowing.
- 2.5.2 For the purpose of securing any such borrowing the Trustee may with the approval of the Management Company; mortgage, charge or pledge in any manner all or any part of the Deposited Property, provided that the aggregate amount to be secured by such mortgage, charge or pledge shall not exceed the limit provided in the Rules.
- 2.5.3 Neither the Trustee nor the Management Company shall be required to issue any guarantee or provide security over their own assets for securing such borrowings on account of the Trust from banks and financial institutions. The Trustee or the Management Company shall not in any manner be liable in their personal capacities for repayment of any borrowings.
- 2.5.4 The Trustee or the Management Company shall not incur any liability by reason of any loss to the Trust or any loss that a Holder may suffer by reason of any depletion in the Net Asset Value that may result from any borrowing arrangement made hereunder.

## 2.6 Transactions with Connected Persons

- 2.6.1 All cash forming part of the Deposited Property shall be deposited by the Trustee in a separate account, in the name of the Trustee with a scheduled Bank or financial institution approved by the Management Company, having at least minimum investment grade rating, as per criteria laid down by a credit rating agency approved by the Commission. The Bank or a financial institution shall allow profit thereon in accordance with the rules prescribed by the Bank or financial institution for sharing of profits or mark-up on deposits maintained in such account or under any other arrangement approved by the Management Company.
- 2.6.2 Money can be borrowed from the Trustee or any other institution provided that the charges are not higher than the usual bank charges.
- 2.6.3 Subject to the Rules, any transaction between the trust and the Management Company or any of their connected persons as principal shall only be made with the prior written consent of the Trustee.
- 2.6.4 The Trust shall not invest in any security of a company if any director or officer of the Management Company or any of its connected persons owns more than five percent of the total nominal amount of the securities issued of such company, or collectively the directors and officers of the Management Company or any of their connected persons own more than ten percent of the securities issued of the said Company.
- 2.6.5 The Trust shall not purchase from or sell any security to the Management Company or to any director, officer or employee of the Management Company or Trustee or to any person who beneficially owns ten percent or more of the equity of the Management Company or the Trustee, save in the case of such party acting as intermediary.
- 2.6.6 For the purpose of sub-Clauses 2.6.4 and 2.6.5 above the term director, officer and employee shall include spouse, lineal ascendants and descendants, brothers and sisters.

## 2.7 Risk Disclosure

**Investors must note that investments in mutual funds are subject to various risks. A targeted return/dividend range cannot be guaranteed. It should be clearly understood that the investment portfolio of HBL-IF is subject to market fluctuations and other risks inherent in all such investments. The risk emanates from various factors that include, but are not limited to:**

### 2.7.1 Credit Risk

Credit risk is comprised of default risk, credit spread risk and downgrade risk. Each can have a negative impact on the value of a fixed-income security including money market instruments.

a) Default risk is the risk that the issuer of the security will not be able to pay the obligation, either on time or at all.

b) Credit spread risk is the risk that there may be an increase in the difference between the return/mark-up rate of an issuer's bond and the return/mark-up rate of a bond that is considered to have little associated risk (such as a government guaranteed bond or treasury bill). 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 fixed income securities including money market instruments.

c) Downgrade risk is the risk that a credit rating agency, such as PACRA or JCR-VIS or any other reputed international credit rating agency may reduce the credit rating of an issuer's securities. Downgrades in credit rating will decrease the value of those fixed income securities including money market instruments.

### 2.7.2 Interest Rate Risk

Debt securities including money market instruments, government securities or corporate debt securities generally pay a fixed rate of coupon/mark-up. The value of the Fund due to its holding in debt securities will rise and fall as market interest rates change. When interest rates rise, the value of an existing fixed income debt security will fall because the coupon rate on that bond is less than prevailing return/mark-up rates and vice versa.

### 2.7.3 Counterparty Risk

The risks with repo / reverse repo / money market placement transactions are that the other party may default under the agreement or go bankrupt. In a reverse repurchase transaction, the Fund may be left holding the security and may not be able to sell it at the same price it paid for it, plus return/mark-up, if the market value of the security has dropped. In the case of a repurchase transaction, the Fund could incur a loss if the value of the security sold has increased more than the value of the cash or collateral held.

#### **2.7.4 Risk Associated with Investing in Continuous Funding System**

In case of default by the counter party, the Fund may be subject to settlement risk in extreme circumstances. In such circumstances the Fund may be exposed to market fluctuation risks associated with that specific security.

#### **2.7.5 Risk Associated with Unlisted Debts**

Generally the liquidity risk in case of unlisted debt security is higher compared to listed securities.

#### **2.7.6 Voluminous Purchase/Redemption of Fund Units Risk**

Any significant transaction made by any investor could significantly impact a Fund's cash flow. If the third party buys large amounts of Units of a Fund, the Fund could temporarily have a high cash balance. Conversely, if the third party redeems large amounts of Units of a Fund, the Fund may be required to fund the redemption by selling securities at an inopportune time. This unexpected sale may have a negative impact on the performance of the Fund.

#### **2.7.7 Derivative Risk**

Derivatives may be used to limit or hedge potential losses associated with capital markets and return/mark-up/coupon rates. This process is called "hedging". Derivatives may also be used for non-hedging purposes - to reduce transaction costs, achieve greater liquidity, create effective exposure to financial markets or increase speed and flexibility in making portfolio changes. Any use of derivatives has risks, including:

- a) The hedging strategy may not be effective.
- b) There is no guarantee that a market will exist when a Fund wants to buy or sell the derivative contract.
- c) A large percentage of the assets of a Fund may be placed on deposit with one or more counter parties, which exposes the Fund to the credit risk of those counterparties.
- d) There is no guarantee that an acceptable counterpart will be willing to enter into the derivative contract.
- e) The counter-party to the derivative contract may not be able to meet its obligations.
- f) The Exchanges on which the derivative contracts are traded may set daily trading limits, preventing a Fund from closing out a particular contract.
- g) If an Exchange halts trading in any particular derivative contract, a Fund may not be able to close out its position in that contract.
- h) The price of a derivative may not accurately reflect the value of the underlying security or index.

### **2.7.8 Currency Risk**

The Fund may be affected favourably or unfavourably by changes in currencies and exchange control regulations. The income earned by HBL-IF may also be affected by fluctuations in foreign exchange rates.

### **2.7.9 Other Risks Involved:**

- a) Mismanagement of the investee company, third party liability whether through class action or otherwise or occurrence of other events such as strikes, fraud etc., in the company in which the investment is made.
- b) Break down of law and order, war, terrorist activity, natural disasters etc.
- c) Senior rights of some creditors over other creditors in the event of winding up.
- d) Volatility in prices resulting from their dependence on market sentiment, speculative activities, supply and demand for the securities and liquidity in the market.
- e) Failure of financial market/stock exchanges, the settlement system, the clearing system or the depository.
- f) Any governmental or court order restraining payment of principal or income.
- g) Prices of Units and income from them may go up and down.

## **2.8 Extraordinary Circumstances**

Under extraordinary circumstances the Management Company, may announce a suspension or deferral of redemption in such cases invoke a Queue System or announce winding-up in such events the investor will probably have to wait for the payment beyond the normal period and the redemption amount so determined may be lower than the price at the time the redemption request is lodged. Investors are advised to read the relevant clauses of the Fund's Trust Deed for more detailed information regarding this clause.

## **2.9 Disclaimer**

**The Units of HBL-IF are not bank deposits and are neither issued by, insured by, obligations of, nor otherwise supported by the Commission, any Government agency, the 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 Core Investors or any other bank or financial institution.**

### 3 - OPERATORS AND PRINCIPALS

#### 3.1 Management Company

##### 3.1.1 Organization:

HBL Asset Management Limited is a Non-Banking Finance company with a license to perform Investment Advisory and Asset Management Services as per NBFC Rules 2003. HBL Asset Management Limited is a wholly owned subsidiary of Habib Bank Limited. The paid up capital of HBL Asset Management Limited is Rs. 100 million, held by:

Names	No. of units	Rupees
Habib Bank Limited	9,999,996	99,999,960
R. Zakir Mahmood	1	10
Shahid Ghaffar	1	10
Sohail Malik	1	10
Ayaz Ahmed	1	10

#### 3.2 BOARD OF DIRECTORS OF MANAGEMENT COMPANY

Name , Occupation and Address	Position	Other Directorships
R. Zakir Mahmood Banker C-70, KDA Scheme # 1, Karachi	<i>Chairman</i>	<ul style="list-style-type: none"> <li>i. Habib Bank Limited</li> <li>ii. Habib Allied International Bank Plc, U.K.</li> <li>iii. Habib Finance International Ltd, Hong Kong</li> <li>iv. Habib Finance (Australia) Ltd, Australia</li> <li>v. Platinum Habib Bank Plc, Nigeria</li> <li>vi. Khushhali Bank Limited</li> <li>vii. First Women Bank Ltd</li> <li>viii. Habib Bank Financial Services (Pvt.)Ltd</li> <li>ix. Karachi Stock Exchange(Guarantee) Limited</li> </ul>
Shahid Ghaffar Investment Banker B-114, Block 13 D-2, Gulshan-e-Iqbal, Karachi	<i>Chief Executive Officer</i>	<i>None</i>



<p>Sohail Malik Banker 74/1 Street 16, Phase VI, DHA, Karachi</p>	<p><i>Director</i></p>	<ul style="list-style-type: none"> <li>i. PlatinumHabib Bank Plc, Nigeria</li> <li>ii. Habib Bank Financial Services (Pvt)Ltd</li> <li>iii. Investment Corporation of Pakistan</li> </ul>
<p>Towfiq Habib Chinoy Business Executive 45B, 8<sup>th</sup> Circular Street, DHA Phase II, Karachi</p>	<p><i>Director</i></p>	<ul style="list-style-type: none"> <li>i. New Jubilee Insurance Company Limited</li> <li>ii. Pakistan Cables Ltd.</li> <li>iii. International Industries Ltd.</li> <li>iv. BOC Pakistan Ltd.</li> <li>v. New Jubilee Life Insurance Company Ltd.</li> <li>vi. IGI Investment Bank Ltd.</li> <li>vii. Pak Chemicals Ltd.</li> <li>viii. Continental Furnishing Company Pvt. Ltd.</li> </ul>
<p>Saadia Khan Business Executive  6B, 12<sup>th</sup> South Street Extension, DHA Phase II, Karachi</p>	<p><i>Director</i></p>	<ul style="list-style-type: none"> <li>i. First Micro Finance Bank Ltd.</li> <li>ii. Kashf Foundation</li> </ul>

### 3.2.1 Profile of Directors

#### R. Zakir Mahmood, Chairman

Mr. Zakir Mahmood holds MBA and Masters of Engineering Degrees from University of California, Los Angeles. He has extensive experience of over 28 years in international banking with two of the largest banks in the World. He has extensive banking experience in Pakistan, Middle East and European Markets. He is President and CEO of HBL since February 2000. Mr. Zakir played a major role in restructuring and shaping up HBL for privatization.

### **Shahid Ghaffar, CEO**

Mr. Shahid Ghaffar holds an MBA Degree from Gomal University, D.I.Khan, NWFP, Pakistan. Mr. Ghaffar has extensive experience of fund management in Pakistan. He has served NIT, one of the biggest open-ended funds in the Country, for about 21 years working in different capacities in the Asset Management Division and at various stages was involved with the appraisal and monitoring of projects, the debt/fixed income portfolio, the equity portfolio and trading desk. In 1996 Mr. Ghaffar became responsible for the Asset Management Division and actively participated in the re-construction of NIT during the crises period 1996-1998.

Mr. Ghaffar served as the first non-member Managing Director of Karachi Stock Exchange (KSE) for over 2 years during the period 1998-2000 and was instrumental in introducing effective risk management systems at KSE.

He has also served as Executive Director / Commissioner (Aug.2000-Nov.2005) at the Securities and Exchange Commission of Pakistan and actively participated in the successful implementation of wide ranging reforms in the capital market.

### **Sohail Malik, Director**

Mr. Sohail Malik holds a MBA degree with majors in Finance and Production Management from Indiana University, Bloomington, USA and B.Sc in Electrical Engineering from West Pakistan University of Engineering and Technology, Lahore. Mr. Malik has over 30 years of working experience including over 22 years of extensive banking experience in various disciplines. He joined HBL as SEVP/Member Management Committee and Head of Credit Policy in April 1998 as part of the professional management team to prepare the bank for privatization. He developed and implemented a comprehensive credit policy manual in HBL and was also instrumental in setting up an effective risk management system in HBL. Mr. Malik was extensively involved in the restructuring of HBL's stuck up loan portfolio. He has contributed in the growth of HBL's improved new loans portfolio over the last 8 years through industry diversification, focus on quality borrowers and effective staff training. He is a Member of HBL's Equity Investment Committee and ALCO.

### **Towfiq Habib Chinoy, Director**

Having completed his Higher National Certificate in Mechanical Engineering from Luton and South Beds College (UK), Mr. Chinoy undertook his Engineering Apprenticeship at Vauxhall / Opel Motors (UK) and worked at the Bombay Garage Limited (1960-63).He joined International Industries Limited in 1964 where he presently holds the post of Managing Director.

Mr. Chinoy also serves as Chairman of the Board of Directors for New Jubilee Insurance and Pakistan Cables Limited and as Director at BOC Pakistan Limited, New Jubilee Life Insurance and First International Investment Bank and Pakistan Centre for Philanthropy. Mr. Chinoy is currently also serving as President at Sind Club, Vice President at the Management Association of Pakistan and Governor of the Indus Valley School of Arts and Architecture.

### **Sadia Khan, Director**

Ms. Sadia Khan holds a MBA from Insead (France), a Masters in Economics from Yale University (USA) and an undergraduate degree in Economics from Cambridge University (UK). Ms. Khan has extensive experience in finance and management having worked with such highly reputed institutions as Lehman Brothers, United Nations and Asian Development Bank. From 2000-2003, Ms. Khan was the Executive Director Non-Banking Finance Companies at the Securities and Exchange Commission of Pakistan and most recently (03-05) Head of Strategic Management at the State Bank of Pakistan where she was responsible for designing the strategic planning framework for State Bank of Pakistan and the formulation of its long-term strategic plan.

Miss Khan was a member of several Task Force/Committees such as the Restructure of the Non-bank Finance Sector and Introduction of Fiscal Incentives for Mergers/ Acquisitions in Pakistan's financial sector and attended various conferences and workshops throughout the world.

### **3.2.2 Management Profile**

#### **Shahid Ghaffar, CEO**

Mr. Shahid Ghaffar holds an MBA Degree from Gomal University, D.I.Khan, NWFP, Pakistan. Mr. Ghaffar has extensive experience of fund management in Pakistan. He has served NIT, one of the biggest open-ended funds in the Country, for about 21 years working in different capacities in the Asset Management Division and at various stages was involved with the appraisal and monitoring of projects, the debt/fixed income portfolio, the equity portfolio and trading desk. In 1996 Mr. Ghaffar became responsible for the Asset Management Division and actively participated in the re-construction of NIT during the crises period 1996-1998.

Mr. Ghaffar served as the first non-member Managing Director of Karachi Stock Exchange (KSE) for over 2 years during the period 1998-2000 and was instrumental in introducing effective risk management systems at KSE.

He has also served as Executive Director / Commissioner (Aug.2000-Nov.2005) at the Securities and Exchange Commission of Pakistan and actively participated in the successful implementation of wide ranging reforms in the capital market.

#### **Rehan N. Shaikh, COO**

Prior to joining HBL Asset Management Ltd at its inception, Mr. Rehan Shaikh worked at State Street Corporation in USA. With \$9.8 trillion in assets under custody and \$1.4 trillion under management, State Street is world leader in financial services. While there, Mr. Shaikh managed several groups which performed back office operations including fund accounting, custody, security pricing, audit, financial reporting and risk management. He also managed several technology projects designed to increase productivity while gaining efficiencies in business groups.

During his 10 years at State Street Mr. Shaikh managed accounts for several institutional clients, including Federated Investors, MFS Investment Management and Wachovia Bank. Mr. Shaikh lead several mergers and back office conversions and also helped establish an operational department servicing State Street's largest client, migrating 250 funds and \$111 billion in assets to State Street.

Mr. Shaikh managed back office operations for several types of mutual funds, including Mini/ Mid/ Max Cap, Income, Balanced, Growth, Hedge, High Yield, Mortgage Backed, International and Emerging Markets, Money Market and REITS funds. While managing these funds, he developed a solid understanding of different security types, including but not limited to Equities, Mortgage Backed Instruments, Corporate Bonds, Government Treasury Bills, Municipal Bonds, International Debt and Equity, Futures, Forwards, Options, SWAPS, REITS, TIPS, TRAINS, REMICS and Restricted Securities.

#### **Mohammad Amir Khan - Fund Manager**

Mr. Amir Khan holds an MBA degree from Adamson University, Manila; Philippines. Mr. Khan has a rich and diversified experience of over 12 years in treasury, investments and finance. Mr. Khan started his career with prestigious Hub Power Company Limited in 1993 as trainee officer and has been associated with the financial sector since 1996, when he joined Al Faysal Investment Bank Limited (Now Faysal Bank Limited) in the Treasury Department. He then joined Saudi Pak Leasing Company as the Chief Dealer Treasury. During his tenure at Saudi Pak Leasing he got exposure in money market, PIBs, Corporate Bonds, Reverse Repo, Clean Placements, COIs, COT transactions & Equity Investments. Prior to joining HBL Asset Management Limited he was serving as Senior Vice President and head of Fixed Income Sales at Invisor Securities (Pvt.) Limited, a corporate brokerage house licensed by Securities and Exchange Commission of Pakistan.

#### **Anila Mubeen - Manager Research**

Mrs. Anila Mubeen holds MBA degree in Finance from Institute of Business Administration (IBA), Karachi. She has over six years of experience in various leading brokerage houses based in Karachi where she gained experience in equity research and on equity trading desk. For over three years she worked in the Research Department at Network Securities & Services Ltd. as Research Analyst and later elevated to Research Manager. She has also worked with Darson Securities as Equity Trader for two years. Prior to joining HBL Asset Management Ltd., Mrs. Mubeen was working with Invest Capital & Securities (Pvt.) Ltd. and her responsibilities included trading in equities for individual and institutional clients. While working at Invest Capital & Securities Ltd., she was also advising and managing portfolios of high net worth clients.

#### **Faraz Arif - Marketing Officer**

Mr. Faraz Arif holds a Masters degree in Management from the University of Hertfordshire Business School (UK) and a BA Honors majoring in Business Studies and Marketing from Middlesex University (UK).

Prior to joining HBL Asset Management Limited, Mr. Arif was working with Block and Quail Plc in London leaving as a Senior Business Consultant responsible for business and marketing in the London region. During his time in London, Mr. Arif also provided marketing consultancy to the London Borough of Tower Hamlets Youth Development Projects Team, London Boroughs Crime Reduction Unit and several SMEs in various industry segments.

### **Faran Hussain - Officer Investor / Registrar Services**

Mr. Faran Hussain graduated from Govt. Premier College Karachi in 1997. He has over four years of experience to his credit including two years as Accounts Officer at Procon Engineering (Pvt.) Ltd and two and a half years at UBL Fund Managers as an Operations Officer. During his time at UBL Fund Managers, Mr. Hussain was involved in daily NAV calculations, preparation of reconciliation accounts, registrar services and various Unit Holder services.

### **Muhammad Shafiq Gill - Manager Accounts**

Mr. Gill holds MBA in Finance from Bahauddin Zakariya University, Multan.

Mr. Gills has extensive experience in the mutual fund industry having worked at ICP, one of the largest close-end funds in the country for over 20 years. During his time at ICP, Mr. Gill has served at various capacities in the accounting department, involved in the appraisal, implementation and monitoring of projects, supervision of accounts, taxation, dividends and accounting reports and left as Chief Financial Officer and Head of the Accounts Department.

### **3.2.3 Duties and Responsibilities of the Management Company**

- (i) The responsibilities of the Management Company is to promote the sale of Units in HBL-IF, invest and manage the assets of HBL-IF according to the provisions of the Deed, in good faith, to the best of its ability and without gaining any undue advantage for itself or any connected persons or its Officers.
- (ii) The Management Company shall maintain proper accounts and records of HBL-IF to enable a complete and accurate view of assets and liabilities, income and expenditure, all transactions, and amounts received in respect of issue of Units and paid out by HBL-IF on redemption of Units and by way of distributions, as required under the Rules.
- (iii) The Management Company shall prepare and transmit physically to Unit Holders, the Commission and the Trustee the annual report together with balance sheet, income and expenditure account and auditors' report of HBL-IF as per the NBFC Rules. The management company shall also prepare and transmit physically (or through electronic means or on the web subject to the Commission's approval) to Unit Holders, the Commission and the Trustee , the balance sheet and income and expenditure account of HBL-IF on quarterly basis, in accordance with the Rules.
- (iv) The Management Company shall make available to the Trustee all information relating to the Fund. The Management Company shall account to Trustee for any loss in value of the assets of HBL-IF caused by its negligence, reckless or wilful act or omission.

- (v) The Management Company shall be responsible for all acts and omissions of all persons or agents to whom it may delegate the performance of its duties, as if these were its own acts and omissions.
- (vi) The Management Company shall instruct the Trustee on purchase, including placement of cash, and sale of investments.
- (vii) The Management Company shall not be under any liability except such liability as may be expressly assumed under the Rules and the Deed nor shall the Management Company (save as otherwise provided) be liable for any act or omission of the Trustee nor for anything except its own negligence or wilful breach of duty.
- (viii) The Management Company shall if it considers necessary request the Trustee in writing, for the protection of Deposited Property or safeguarding the interest of the Unit Holders, to institute or defend any suit, proceeding, arbitration or inquiry or any corporate or shareholders' action in respect of the Deposited Property or any part thereof.

### **3.3 Trustee – Central Depository Company**

Central Depository Company of Pakistan Limited (CDC), a company incorporated under the Companies Ordinance 1984, with its registered office at CDC House, 99-B, Block B, Main Shahrah-e-Faisal, S.M.C.H.S, Karachi was incorporated as a public limited company on January 21, 1993 in Pakistan and received certificate of commencement of business on August 10, 1994. The principal business activity of the company is to act as a depository for securities and to open securities account. From the year 2002, CDC expanded its business activity to provide trustee/ custodial services to mutual funds sector. CDC is acting as trustee for funds under management by several leading asset management companies/ investment advisers.

#### **3.3.1 Trustee: Duties and Responsibilities**

- i. The Trustee shall take into its custody and under its control all the property of HBL-IF and hold it in trust for the Unit Holders in accordance with the law and the provision of the Constitutive Documents and the cash and registerable assets shall be registered in the name of, or to the order of the Trustee.
- ii. The Trustee shall carry out the instructions of the Management Company in all matters including investment and disposition of the Deposited Property, unless they are in conflict with the Deed, the Rules and the Offering Documents or all applicable laws.

- iii. The Trustee shall ensure that all issues and cancellations of Units of HBL-IF and the methods adopted by the Management Company in valuing Units for the purposes of determining the Offer and Redemption Prices are adequate and are carried out in accordance with the provisions of the Constitutive Documents.
- iv. The Trustee shall issue a report to the Unit Holders to be included in the annual report, whether in its opinion, the Management Company has in all material respects managed the Deposited Property in accordance with the provisions of the Rules and the Constitutive Documents and if the Management Company has not done so, the respects in which it has not done so and the steps the Trustee has taken in respect thereof.
- v. The Trustee shall, if requested by the Management Company or if it considers necessary for the protection of the Deposited Property or safeguarding the interest of Unit Holders, institute or defend any suit, proceedings, arbitration or inquiry or any corporate or shareholders action in respect of the Deposited Property or any part thereof if so requested by the Management Company in writing. It is clarified that the Trustee shall be entitled to be reimbursed, out of the Deposited Property, for all reasonable costs and expenses incurred in taking the aforesaid action(s).
- vi. The Trustee shall be responsible for all acts and omissions of all persons or agents to whom it may delegate the performance of its duties, as if these were its own acts and omissions.
- vii. The Trustee shall account for any loss in value of the Deposited Property where such loss has been caused by negligence or any reckless or wilful act and/or omission of the Trustee or any of its directors, officers, nominees or agents.
- viii. The Trustee shall not be under any liability on account of anything done or suffered by HBL-IF in good faith in accordance with or in pursuance of any request of the Management Company provided they are not in conflict with the provision of the Deed or the Rules.
- ix. The Trustee shall ensure that the investment and borrowing limitations set out in the Rules and the Constitutive Documents and the conditions under which HBL-IF was authorized are complied with.

### 3.4 Core Investors

Habib Bank Ltd. Is the Core Investor and has subscribed the amount stated below:

Name	No. of units	Rupees
Habib Bank Limited	2,500,000	250,000,000

Habib Bank Ltd; the core investor has subscribed a sum of Rs. 250 million towards the purchase of 2.5 million Core Units of Rs.100 each. The Core Investor has agreed to hold its investment for a minimum period of two years, as required under the Rules, from the date of payment in full of such Units. However, these Units are transferable with the same terms and conditions during the unexpired period.

#### 3.4.1 Pre-IPO Investors

Pre IPO investors have committed an amount of Rs. 2,263 million in the HBL Income Fund. Names of the major investors are provided below:

	<i>Institution</i>
1	Adamjee Insurance Limited
2	Aga Khan University Employees Provident Fund
3	AMZ Asset Management Limited
4	Arif Habib Investment Management Limited
5	Arif Habib Limited
6	Arif Habib Rupali Bank Limited
7	Arif Habib Securities Limited
8	Askari Commercial Bank
9	Allied Bank Limited
10	Bank AL Habib Limited
11	Central Depository Company
12	Crescent Commercial Bank Limited
13	D.G. Khan Cement Company Limited-Employees Provident Fund Trust
14	Escorts Investment Bank Limited
15	First National Equities Limited
16	Habib Bank Employees Provident Fund
17	Habib Metropolitan Bank
18	International General Insurance Company of Pakistan Limited
19	International Industries Limited
20	IGI Investment Bank Limited
21	Invest Capital Limited
22	Javed Omer Vohra & Company Ltd
23	JS ABAMCO
24	JS Global Capital Limited
25	MCB Bank Limited
26	National Bank of Pakistan



27	National Investment Trust
28	New Jubilee Life Insurance Company Ltd
29	New Jubilee Insurance Company Ltd
30	NIB Bank Limited
31	Nishat Mills Limited Employees Provident Fund Trust
32	Packages Limited Employees Provident Fund
33	Pakistan Kuwait Investment Company Pvt. Ltd
34	Pak Libya Holding Company Pvt Ltd
35	Pak Oman Investment Company Limited
36	PICIC Commercial Bank Limited
37	Sapphire Fibres Limited
38	Sapphire Textiles Limited
39	Saudi Pak Commercial Bank Limited
40	Saudi Pak Industrial and Agricultural Investment Company Limited
41	Soneri Bank Limited
42	SME Bank Limited
43	Trakker Direct Insurance Limited
44	The Bank of Punjab
45	The Bank of Khyber
46	The Universal Insurance Company Ltd

The amounts received from Core Investors (Seed Capital) and Private Placement (pre-IPO) investors will be deposited in a Bank Account and transferred to the main Bank Account of the Fund upon the close of the Initial Period. Income, profit, interest etc earned on the investments by Core Investors and private placement investors up to the start of the Initial Period shall be paid to the Core Investors and Private Placement (pre-IPO) investors and shall not form part of the Trust Property.

### **3.4.2 Related Party Transactions**

**3.4.2(a)** International Industries Ltd. has invested in the Fund as a pre-IPO investor to the extent of Rs. 250 million (Rupees Two Hundred and Fifty million).

Mr. Towfiq Chinoy, an independent director of HBL Asset Management Limited is also Chief Executive of International Industries Ltd.

**3.4.2(b)** New Jubilee Life Insurance Company Limited, New Jubilee Insurance Company Limited and IGI Investment Bank Limited have invested as pre-IPO investors to the extent of Rs. 50 million, Rs. 100 million and Rs. 15 million respectively.

Mr. Towfiq Chinoy, an independent director of HBL Asset Management Limited is also director of above three companies.

**3.4.2(c)** Central Depository Company Ltd. (CDC) is acting as Trustee and Custodian to HBL-Income Fund. CDC has invested a sum of Rs. 25 million (Rupees Twenty Five million) as a pre-IPO investor in the Fund.

### **3.5 Transfer Agent**

The Management Company will perform duties as the Transfer Agent of the Fund. Any change in Transfer Agent will be made with intimation to the Trustee. The Management Company will be responsible for maintaining the Unit Holder's Register, preparing and issuing Account Statements, Unit Certificates and dividend warrants/advice and providing related services to the Unit Holders.

### **3.6 Custodian**

The Central Depository Company of Pakistan Limited (CDC) will be performing the functions of the custodian of the Deposited Property. The salient features of the custodial functions are as follows:

- i. Segregating all property of the Fund from Custodian's own property and that of its other clients.
- ii. Assuring the smooth inflow/outflow of dematerialized securities and such other investments as required.
- iii. Ensuring that the benefits due on investments are received and credited to the Fund's account.

The trustee may, if it considers necessary, appoint additional custodians with the approval of the Management Company and at such terms and conditions approved by the Management Company, for safeguarding of any portion of the Deposited Property.

### **3.7 Distribution Companies**

HBL-IF will be distributed through various Distribution Companies and their branches authorised for this purpose by the Management Company with the consent of the Trustee, including the main office and branches of the Management Company. A list of the authorised Distribution Companies and their branches is given in Annexure A. The list of the distribution companies mentioned in Annexure A is based on the current address of the Distribution Companies and their authorised branches and can be changed due to relocation of offices or addition or deletion of Distribution Companies and their branches.

### **3.8 Auditors**

The Auditors of HBL-IF are:

**A.F Ferguson & Co.**

**Chartered Accountants**

**(A member firm of Price Water- House Coopers)**

State Life Building #1-C

State Life Square

I.I. Chundrigar Road, P.O.Box 4716

Karachi-74000, Pakistan

- 3.8.1 The Auditors will hold the office until the transmission of the reports and accounts, which will cover the period from commencement of the Trust up to Accounting Period and will be eligible for re-appointment by the Management Company, with the concurrence of the Trustee. However, an auditor may be reappointed for up-to three consecutive terms. Thereafter, that auditor may be appointed after a break in appointment.
- 3.8.2 The Auditors shall have access to the books, papers, accounts and vouchers of the Trust, whether kept at the office of the Management Company, Trustee, Custodian, Transfer Agent, Distribution Companies or elsewhere and shall be entitled to require from the Management Company, Trustee and their directors, officers and agents such information and explanations as considered necessary for the performance of the Audit.
- 3.8.3 The Trustee shall be entitled to require the Auditors to provide such further reports as may be agreed between the Trustee and the Management Company as may be considered necessary to facilitate the Trustee in issuing the certification required under the Rules.
- 3.8.4 The Auditors shall prepare a written report to the Unit Holders on the account and books of account of the Trust and the balance sheet and income and expenditure account and on every other document forming part of the balance sheet and the income and expenditure account, including notes, statement or schedule appended thereto.
- 3.8.5 The contents of the Auditors' report shall be as required under the Rules.

### **3.9 Legal Advisors**

The legal advisors of HBL-IF are;  
**Mandviwalla & Zafar,**  
**Advocates and Legal Consultants**  
Mandviwalla Chambers  
C-15, Block 2, Clifton, Karachi  
Pakistan

### **3.10 Bankers**

The bankers to the Fund are Habib Bank Limited, Bank Al-Habib and any other Bank appointed by the Management Company. The Trustee will operate the bank account of the Fund.

### **3.11 Bank accounts**

- 3.11.1 The trustee at the request of the Management Company shall open bank account(s) titled "CDC-Trustee HBL-Income Fund" for the Unit Trust at designated bank(s) at Karachi and other specified cities for collection, investment, redemption or any other use of Deposited Property.
- 3.11.2 The trustee shall open additional Bank Account (s) titled "CDC-Trustee HBL-Income Fund" at such branches of Banks and at such locations (including outside Pakistan, subject to applicable regulations and after obtaining all necessary approvals from the relevant regulatory authority in Pakistan) as may be reasonably required by the management Company from time to time. These accounts shall be temporary collection accounts where collections shall be held prior to their being transferred to the main Bank Account of the Trust on a daily basis.  
Such accounts shall be used as collection and redemption accounts. There shall be instructions for all such collection and redemption accounts to promptly transfer the fund collected therein to the main bank account and /or transfer the funds to the relevant bank accounts of the Unit Holders for redemption purposes.
- 3.11.3 The Management Company may require the Trustee to open separate bank accounts for the Unit Trust to facilitate investments on account of the Trust and the receipts, tracking and reconciliation of income or other receipts relating to the investments. This account may also be used to facilitate redemptions and other Trust related (ancillary) transactions.
- 3.11.4 The Management Company may also require the Trustee to open separate bank accounts for each dividend distribution out of the Unit Trust. Notwithstanding anything in the deed, the beneficial ownership of the balances in the Accounts shall vest in the Unit Holders.
- 3.11.5 All bank charges for opening and maintaining Bank Accounts for the Trust shall be charged to the Fund.
- 3.11.6 All interest, income, profit etc. earned in the Distribution Account(s), including those accruing on unclaimed dividends, shall form part of the Deposited Property for the benefit of the Unit Holders and shall be transferred periodically from the Distribution Account(s) to the main Bank Account of the Trust.

## **4 -CHARACTERISTICS OF UNITS TO BE OFFERED**

### **4.1 Minimum Investment**

The Fund is divided into Units having an initial offer price (par value) of Rs. 100 (Rupees One Hundred) each. This price is applicable to core investors, pre-IPO investors and during the initial public offering (IPO). Thereafter the Units will be issued at the offer price pursuant to Clause 4.5.1 of this offering document.

Units can be bought with an initial investment of Rs. 5000 and any addition to existing Units could be made by Rs. 1000 and above.

The Management Company shall have the discretion to change the minimum investment limit.

### **4.2 Classes of Units and their Features**

#### 1. Class A (Restricted / Core Units)

Class A (Restricted/ Core Units) issued to the core investors with no Sales Load. These units cannot be redeemed for a period of two (2) years from the date of closure of Initial offer. However such units are transferable

#### 2. Class A Units (Private Placement / Initial Public Offer)

Class A units are being offered and issued during the Private Placement and Initial Public Offer Period (IPO) with no Sales Load.

#### 3. Class B Units

Class B Units shall be offered and issued after the expiry of the Initial Public Offering (IPO).

The Management Company may, with the consent of the Trustee and after obtaining prior approval of the Commission, introduce and offer other classes of Units.

### **4.3 Features of Units**

- 1 All Units and fractions thereof represent an undivided share in the Fund and shall rank pari passu according to the number of Units held by each Unit Holder, including the rights of the Unit Holders in the Net Assets, earnings and the receipt of dividends and distributions.
- 2 Units shall be accounted for in fractions up to two decimal places.
- 3 Statements may be sent to the Unit Holders after the close of the Accounting Period and each time any activity takes place in the account indicating Units held on the statement date. The Unit Holders may obtain more frequent statements at designated address by paying a fee not exceeding Rs. 25 per statement representing the costs involved.
- 4 Unit Holders may obtain Certificates representing the Units they hold by paying a fee not exceeding Rs. 25 per certificate. However cases of transmission of Units shall be processed only on production of the Certificates. In the event of loss or defacing of Certificates, the process shall be carried out subject to appropriate safeguards to the satisfaction of the Registrar and the associated cost if any will be borne by the Unit Holder.

### **4.4 Frequency of Valuation and Dealings**

- a) Units can be purchased at the Offer Price and redeemed at the Redemption Price at any of the Authorized Distribution Offices on any Business Day during business hours in accordance with the procedure set out in this Offering Document.
- b) During the period the Register is closed, as mentioned in clauses 4.9 of this Offering Document, the sale and redemption of Units will be suspended.
- c) The Management Company may decline to issue units to any applicant, if it is of the opinion that it will not be possible to invest inflow of fund or to meet any regulatory requirement.
- d) For the Classes of Units and Offer Prices during the Initial Period, please refer to clause 4.1 and clause 4.2 of this Offering Document.
- e) After the Initial Period, the Management Company shall announce the Offer and Redemption Prices daily, calculated on the basis of the NAV and adjusted for such load, transaction costs, charges and duties as are described herein. The method of calculation shall be cleared to the Trustee's satisfaction that such method is adequate for ensuring accurate calculation of the prices.

- f) The Offer Price shall be equal to the sum of the Net Asset Value (NAV) as of the close of the Business Day (in the event there are closed days, for any reason, following that Business Day, the NAV so determined shall be adjusted for the accrual of income or losses if any for such closed days), Transaction Cost, any Sales Load not exceeding 5% of the Net Asset Value (Please refer to Annexure "B" for the current level of load) and such amount as the Management Company may consider appropriate provision for Duties and Charges. The Offer Price so determined shall apply to purchase requests, complete in all respects, received by the Distributor and / or Management Company during the business hours on the Business Day on which the Investment Form has been received.
- g) The Redemption Price shall be equal to the sum of the Net Asset Value (NAV) as of the close of the Business Day (in the event there are closed days, for any reason, following that Business Days, the NAV so determined shall be adjusted for the accrual of income or losses if any for such closed days) less Transaction Cost, if any, a Back-End Sales Load (Load) not exceeding 5% of the Redemption Price (Please refer to Annexure "B" for the current level of load) and such amount as the Management Company may consider appropriate provision for Duties and Charges. The Redemption Price so determined shall apply to redemption requests, complete in all respects, received by the Distributor and / or Management Company during the business hours on the Business Day on which the Redemption Form has been received. However, the Back-End Load may not be deducted from the NAV for such units that are being converted in another scheme being run by the Management Company.
- h) The Management Company shall, at such frequencies as may be prescribed in this Offering Document or under the Rules, determine and announce the Net Asset Value based prices of the Units. Under certain circumstances as provided in this Offering Document, the Management Company may suspend the announcement of the prices.
- i) The Management Company shall publish the Offer and Redemption Prices in at least one newspaper on a daily basis
- j) The prices determined, as described hereinabove shall be subject to adjustment for any taxes payable in the jurisdiction of the transaction.

## **4.5 Issue of Units**

### **4.5.1 Determination of Offer Price**

- 1 After the Initial Period the NAV shall be calculated by dividing the Net Assets by the number of Units outstanding and the Offer Price shall be calculated and announced by the Management Company on a daily basis.
- 2 The Offer Price shall be equal to the sum of:
  - (a) The Net Asset Value as of the close of the Business Day;
  - (b) Any Front-end Load; and
  - (c) Such amount as the Management Company may consider an appropriate provision for Duties and Charges;

Such sum shall be adjusted upwards to the nearest two decimal places.

### **4.5.2 Who Can Apply?**

Applications for the issue of Units in HBL-IF may be made by any investor or any related group of investors qualified or authorized to purchase the Units pursuant to the procedures described in Clause 4.5 of this Offering Document, including but not limited to:

1. Citizens of Pakistan resident in Pakistan: in respect of minors below 18 years of age, applications should be made by their guardians.
2. Companies, corporate bodies, financial institutions, banks, partners of a firm and societies incorporated in Pakistan so long as such investment is permitted under their respective memorandum and articles of association and/or bye-laws.
3. Pakistanis resident abroad, foreign nationals and companies incorporated outside Pakistan, subject to the regulations of the State Bank of Pakistan and the Government of Pakistan and any such regulations and laws that may apply to their place of residence, domicile and citizenship. The payment of dividends and redemption proceeds to such investors shall be subject to the relevant taxation and exchange regulation/laws. Any person making an application for the issue of Units in HBL-IF shall warrant that he is duly authorized to purchase such Units.
4. Provident Funds constituted by companies registered under the Companies Ordinance, 1984, subject to conditions and investment limits as laid down in Employees Provident Fund (Investment in Listed Securities) Rules, 1996, as amended by S.R.O.



5. Provident, Pension and Gratuity Funds constituted by organizations other than companies under section 20(h) of the Trusts Act 1882, (11 of 1882).
6. Insurance companies under the Insurance Ordinance, 2000.
7. Non Profit organizations under section 213(i) of the Income Tax Rules 2002.

The onus for being qualified lies with the investor and neither the Management Company, nor the Trustee, nor the Registrar, nor the Distributors, nor the Facilitator/Sales Agents accept any responsibility in the regard.

#### **4.5.3 Account Opening Application Procedure**

- 1) Fully completed application form for purchase of Units, accompanied by the full amount for the investment and copies of the documents listed below should be delivered at any of the Authorized Branches of the Distributor or may be submitted to the Management Company directly or through an Investment Facilitator or Sales Agent. Only Authorized Branches of Distributors (as listed in Annexure A) are authorised to collect application and payment for issue of units.
- 2) In case of individual applicants a photocopy of the Computerized National Identity Card (CNIC) of the applicant or any other form of identification acceptable to the Management Company along with any other required document as specified in the application form.
- 3) In case of a body corporate or a registered society or a trust,
  - i. Investors Name
  - ii. List of authorized signatories along with copy of the National Identity Card and specimen signatures
  - iii. Copy of the memorandum and articles of association charter/bye-laws or rules and regulations;
  - iv. Copy of power of attorney and/or relevant resolution of the board of directors delegating any of its officer to invest the funds and/or to realize the investment; and
  - v. Other relevant documents as may be required by the Management Company.
- 4) In case of existing Unit Holders, if any of the documents have previously been deposited with the Management Company or Transfer Agent, fresh submission of documents will not be required provided that the deposited documents are acceptable to the Management Company. However, the previous account

- number/registration number/folio number must be provided to facilitate linking.
- 5) The Distribution Office will be entitled to verify the particulars given in the application form. In case of any incorrect information the application may be rejected, if the applicant has not rectified the discrepancy.
  - 6) If the application is incomplete or incorrect in any way the Distribution Office/Management Company/Transfer Agent will advise the applicant in writing to remove the discrepancy within a period of fifteen days, failing which the application will be rejected and the amount will be refunded without any interest or mark-up. However in the event Units have been issued and a material discrepancy is discovered subsequent to that, the Management Company, Transfer Agent or Distributor will advise the applicant in writing to remove the discrepancy within fifteen days and if the investor, in the opinion of the Transfer Agent, fails to remove the discrepancy without good cause, the Units shall be redeemed at the Redemption Price on the date the Units are so redeemed. The Unit Holder shall not be entitled to any payment beyond the redemption value so determined.
  - 7) In the event payment has been accepted by crossed-cheque or pay order or in such form as prescribed by the Management Company, the Transfer Agent will not process the application of subscription till the payment has been realised and cleared by the Fund's Bank.
  - 8) The applicant must obtain a receipt duly signed and stamped by an authorised official confirming the receipt of the application from the Authorized Branch of the relevant Distribution Office, where application for purchase of units was submitted.
  - 9) Once the investor account has been opened, the investor will be allotted a specific registration/folio number which can be used for all future transactions to facilitate reference and linking.
  - 10) Investors will be allotted Units based on the Offer Price of the Fund as announced by the Management Company on the day the payment is realised for a duly completed application form within the hours on a Business Day as prescribed by the Management Company from time to time. The Investor will be provided an Account Statement within seven (7) Business Days after the Units have been issued.
  - 11) In the event a cheque or any other instrument is returned unpaid, the Management Company will assume the application for subscription to be regarded as void and the Units if allotted will be cancelled and the investor informed accordingly. The investor will be asked to submit fresh payment for the said Units which will then be allotted based on the Offer Price of the Fund as announced by the Management Company on the day the payment is realised.

#### **4.5.4 Joint Application**

(a) Joint application can be made by up to four related group of applicants. Such persons shall be deemed to hold Units on first holder basis; however, each person must sign the application form and submit a copy of their Computerized National Identity Card or any other identification documents acceptable to the Management Company.

(b) The first named Holder shall receive all notices and correspondence with respect to the account, as well as proceeds of any redemption requests, or dividend or fractional payments. Such person's receipt or payment into the designated bank account shall be considered as a valid discharge by the Trustee/Management Company of its obligations.

(c) In the event of death of the first Holder, the person in the order of survivor(s) as stated in the application form shall be the only person recognized by the Trustee/Management Company/Transfer Agent to receive all notices and correspondences with regards to the accounts, as well as proceeds of any redemption requests or dividend or fractional payments. Such person's acknowledgement of receipt of proceeds shall be considered as the valid discharge by the Management Company or Trustee of its obligations.

Provided however the Trustee and/or the Management Company may at their discretion request the production of a Succession Certificate from an appropriate Court before releasing of redemption requests or dividends in cases of doubts or disputes among the Joint Unit Holders and/or the legal heirs or legal representatives of the deceased.

#### **4.5.5 Purchase (Issue) of Units**

An application for purchase of Units may be lodged with any authorized Distributor or presented to the Management Company or through an Investment Facilitator. The application shall be in the form prescribed by the Management Company. Application Forms are available with Distributors or Investment Facilitators or may be obtained from the Management Company or its website. Units shall be issued based on the Purchase (Offer) Price that is determined as per Clause 4.5 of this Offering Document.

Payment for the Units can be made in the form of;

- Demand draft or Pay Order in favour of "CDC-Trustee HBL Income Fund".
- Online Transfer of money to "CDC - Trustee HBL-Income Fund"
- Cheque (Account Payee Only in favour of "CDC-Trustee HBL Income Fund")
- Any other mode of payment acceptable to the Management Company as introduced from time to time to "CDC Trustee HBL-Income Fund".
- No payment in cash would be accepted, however investors can deposit cash in the Bank Account of the Fund titled "CDC Trustee HBL Income Fund" maintained with designated bank branches.

Notwithstanding the above, nothing contained herein shall be construed as limiting or otherwise restricting the Management Company's liability under Rule 65 of the Rules.

#### **4.6 Redemption of Units**

##### **4.6.1 Determination of Redemption Price**

- 1 During the initial Period the Units shall not be redeemed.
- 2 After the Initial Period the Redemption Price shall be equal to the Net Asset Value as of the close of the Business Day, less:
  - (a) Any Back-end Load;
  - (b) Any Zakat/ taxes imposed by the Government; and
  - (c) Such amount as the Management Company may consider an appropriate provision for Duties and Charges;
  - (d) Transaction Costs

Such sum shall be adjusted downwards to the nearest two decimal places.

##### **4.6.2 Who can Apply**

All Unit Holders, other than the holders of Class "A" (Restricted/Core Units) Units are eligible to redeem the said Units. Holders of Class "A" Units (Restricted/Core Units) will be eligible for redemption after the expiry of the period of 2 years from the date of the closure of the Initial Period; however such units are eligible for transfer subject to the condition that the new transferee of such unit(s) agrees to the same for the balance period, if any.

##### **4.6.3 Application Procedure**

- a) Requests for redemption can be made by completing the prescribed application form and endorsing the relevant Certificate, if issued, and submitting the same to any Authorized Branch of the relevant Distribution Office or to the Management Company or through an Investment Facilitator, within business hours on any Business Day. The request for redemption would only be honoured after verifying the signature and other particulars of the Unit Holder from the Register.
- b) The Unit Holder will receive a note confirming the receipt of the application for redemption duly signed and stamped by an authorised official from the relevant Distribution Office.

- c) The Distribution Company and /or the Management Company will be entitled to verify the particulars given in the application form. In case of any incorrect information the application may be rejected if the applicant does not rectify the discrepancy.
- d) If subsequent to the receipt of the application by the Distributor, but prior to the Redemption of the Units, the application is found by the Transfer Agent or the Distributor or the Management Company to be incomplete or incorrect in any material manner, the Transfer Agent or the Distributor will advise the applicant to remove the discrepancy; meanwhile the application will be held in abeyance for fifteen days. In the event the discrepancy is not removed in the said fifteen days, the application for redemption will be cancelled treating the same as null and void. The Unit Holder will then have to submit a fresh application for Redemption of Units.
- e) Units will be redeemed on the basis of the Redemption Price announced as of the close of the business day on which a fully completed Redemption Form acceptable to the Management Company is submitted within business hours as announced by the Management Company from time to time.

#### **4.6.4 Payment of Redemption Proceeds**

- a) Unless otherwise instructed, payment of the redemption proceeds will be made by a crossed cheque, in favour of the Unit Holder's registered name, or in favour of the first-named joint Holder in the event of joint Holders, and will be sent to registered address of the Unit Holder or first-named joint Holder's address, or if so authorized by all the joint holders, at the address of the Joint Holder who has signed the redemption form as provided, within six business days after the receipt of a properly documented request for redemption of Units. However, if so authorized by the Unit Holder, payment of the redemption proceeds will be made by transfer to the bank account number of the Unit Holder or first-named joint Holder in the event of joint Holders. No money shall be paid to any intermediary except the Unit Holder /joint Holder or his /their authorized representatives.
- b) In case the Investor has requested encashment of Bonus Units then such Bonus Units will be redeemed at the ex-dividend Net Asset Value (NAV) as determined by the Management Company from time to time.
- c) Redemption of Units may be suspended or put in queue due to exceptional circumstances as referred to in Clause 4.9.
- d) Partial Redemption of Units covered by a single Certificate is not permitted. However, Unit Holders may apply for splitting of the Certificate before applying for redemption.

- e) In the event the Units are redeemed by any major Unit Holder in such period of time that the Management Company believes, may adversely affect the interest of other Unit Holder(s), it may charge contingent load up to two (2) percent on such redemption.
- f) In the event of Units that are pledged, are redeemed for any reason whatsoever, the proceeds shall be paid to the order of the lien holder's designated bank account or posted to the registered address mentioned in the pledge/lien application form submitted
- g) No money shall be paid to any intermediary except the Holder/ joint Holder or his/ their authorised representatives.

#### **4.6.5 Joint Holders**

Unless the Joint Holders of Units have specified otherwise, requests for redemption of such units shall be signed by all the Joint Holders.

### **4.7 Transfer/Transmission/Conversion Of Units**

#### **4.7.1 Application Procedure**

The procedure herein below is designed for paper based transactions. The Management Company may at a later date introduce electronic/Internet-based alternatives for the transactions.

- 4.7.1.1** A Unit Holder can transfer Units held by him by completing a prescribed Transfer Application Form, to be signed by the transferor and transferee; and paying any applicable Duties and Charges; and submitting to any of the Authorised Branches of the relevant Distribution Company the Transfer Application Form and relevant certificate(s), if issued.
- 4.7.1.2** Any person becoming entitled to hold the Units in consequence of the death, insolvency or winding up of any sole Unit Holder or the survivors of Joint Holder shall be registered as the Holder or Joint Holders as the case may be, upon paying any applicable Duties and Charges; and submitting to any of the Authorised Branches of the relevant Distribution Company the duly completed prescribed Transfer Application Form and relevant Certificate, if issued, with such evidence, which may prove his entitlement to the Units.
- 4.7.1.3** The Transfer Agent shall, subject to law, accept requests for transfer of Units from an existing investor to another. The transfer shall be carried out after the Transfer Agent has satisfied himself of all requisite formalities including payment of any taxes if applicable and has recovered the fee prescribed for the service.

**4.7.1.4** Transmission of Units to successors in case of inheritance or distribution of the estate of a deceased Unit Holder shall be processed by the transfer Agent after satisfying himself as to all legal requirements. The legal costs and taxes if any shall be borne and paid by transferees. However, the processing fee shall not be payable by successors or beneficiaries of the estate in the case of transmission. The Management Company shall pay the relevant processing fee to the Transfer Agent. The procedure for transmission of Units is given in Clause 4.7 of this document.

**4.7.1.5** A Unit Holder may convert the Units held by him in a Unit Trust managed by the Management Company into the Units of another Unit Trust scheme managed by the Management Company subject to the terms of the respective Offering Documents. The Transfer Agent shall carry out the conversion after being satisfied that all the requisite formalities have been completed and payment of the applicable taxes and fees, if any, have been received or deducted.

**4.7.1.6** Application for transfer can be submitted on any Business Day during banking hours.

#### **4.7.2 Partial Transfer**

Partial Transfer of Units covered by a single Certificate is permitted provided that in case of physical certificates issued the Unit Holder must first apply for splitting of the unit certificate representing the partial amount and then the new certificate shall be applied for the transfer.

#### **4.7.3 Verification of Transfer Application Form**

At the request of the Unit Holder, the Transfer Agent will verify

- (1) The holding stated on the Transfer Application Form and
- (2) Signature of the Holder.

### **4.8 Pledge of Units**

#### **4.8.1 Request for Pledge/Lien of Units**

Any Single Unit Holder or all Joint Unit Holders may request the Registrar to record a pledge/lien of all or any of his/their Units in favour of any third party legally entitled to invest in such Units in its own right. The Registrar shall register a lien on any Units in favour of any third party with the specific authority of the Management Company.

#### **4.8.2 Removal of Pledge/Lien of Units**

The pledge/lien once registered shall be removed only through authorisation of the party in whose favour the pledge/lien has been registered or through an order of a competent court. Neither the Trustee, nor the Management Company, nor the Registrar,

shall be liable for ensuring the validity of any such pledge / charge / lien. The disbursement of any loan or undertaking of any obligation against the constitution of such pledge / charge / lien by any party shall be at the entire discretion of such party and neither the Trustee nor the Management Company nor the Registrar takes any responsibility in this matter.

#### **4.8.3 Dividend / Bonus / Redemption of Units Pledged**

Payments of dividends on pledged Units shall be made to the order of the Unit Holder. However any Units issued on reinvestment or bonus Units that the pledged Units are entitled to automatically be marked under the lien of the lien holder and in the event the pledged Units are redeemed for any reason what so ever, the proceeds shall be paid to the order of the lien holder. However in case Units are recorded in Central Depository register as book-entry securities, the provisions of the Central Depository Act, 1997 and the Central Depository of Pakistan Regulations shall be applicable.

### **4.9 Suspension Of Dealing, Queue System And Winding Up**

Under the extraordinary circumstances mentioned in clause 4.9 of this Offering Document, the Management Company may request the Trustee to approve a temporary change in the method of dealing in Units. Such approval shall not be unreasonably withheld.

#### **4.9.1 Suspension of fresh Issue of Units**

The Management Company may at any time under intimation to the Trustee, suspend the issue of fresh Units. The Management Company shall announce the details of exemptions at the time a suspension of fresh issue of Units is announced. Such suspension may however not affect existing Unit Holders, the issue of bonus Units as a result of profit distribution or the option to receive dividends in the form of additional Units. The Management Company shall immediately notify the Commission if issue of fresh Units is suspended and shall publish the same in at least two widely circulated newspapers in Pakistan, one in English and the other in Urdu.

#### **4.9.2 Suspension of Redemption of Units**

In the event of extraordinary circumstances as mentioned in Clause 4.9 and Clause 4.10 of this Offering Document, the Management Company may suspend or defer redemption of Units. The circumstances under which the Management Company may suspend redemption shall be the event of war (declared or otherwise) natural disasters, a major breakdown in law and order, breakdown of the communications system, terrorist threats and/or activities, closure of the capital markets and /or the banking system or other events that render the Management Company, Transfer Agents, Trustees or the Distributors unable to function or any other conditions mentioned in the Rules.



### **4.9.3 Queue System**

In the event redemption requests on any day exceed ten percent (10%) of the Units in issue, the Management Company may invoke a queue system whereby requests for redemption shall be processed on a first come first served basis for up to ten percent of the Units in issue. The Management Company shall proceed to sell adequate assets of the Fund and/or arrange borrowing as it deems fit in the best interest of the Holders and shall determine the Redemption Price to be applied to the redemption requests based on such action. Where it is not practical to determine the chronological ranking of any requests in comparison to other requests on the same Business Day, such requests shall be processed on a proportional basis proportionate to the size of the requests. The redemption requests in excess of ten percent (10%) of the Units in issue will be carried over to the next Business Day. However, if the carried over requests and the fresh requests received on the next Subscription Day still exceed ten percent (10%) of the Units in issue, these shall once again be treated on first come first served basis and the process for generating liquidity and determining the Redemption Price shall be repeated and such procedure shall continue till such time the outstanding redemption requests come down to a level below ten percent of the Units then in issue.

### **4.9.4 Winding up in view of major redemption**

In the event the Management Company is of the view that the quantum of redemption requests that have built up shall result in the Trust Property being run down to an unmanageable level or is of the view that the sell-off of assets is likely to result in a significant loss in the value for the Holders who are not redeeming, it may announce winding up of the Fund. In such an event, the queue system, if already invoked, shall cease to apply and the Fund will be wound up; and all Holders shall be paid after selling the assets and determining the final Redemption Price. The interim distributions of the proceeds may be made if the Management Company finds it feasible. The announcement in this regard shall be communicated to the Commission and the Trustee and shall further be notified to the Holders by publishing a notice in two widely circulated newspapers in Pakistan.

### **4.10 Redemption of Units in Extraordinary Circumstances**

The redemption of units may be suspended during extraordinary circumstances including any period when the Stock Exchange(s) on which any of the investment for the time being is listed or dealt in is closed or when dealings in such investment are restricted or suspended, the existence of any state of affairs, which in the opinion of the Management Company, constitutes an emergency as a result of which disposal of any investment would not be reasonably practicable or might seriously prejudice the interest of the Trust or of the Holders, or any breakdown in

the means of communication normally employed in determining the price of any investment, or the current price thereof on any stock exchange or when for any reason the price of any such investment cannot be promptly and accurately ascertained or any period when remittance of money which will or may be involved in the realisation of such investment or in the payment for such investment cannot in the opinion of the Management Company be carried out in reasonable time and if the Management Company is of the view that it would be detrimental to the remaining Holders to redeem or continue to redeem Units at a price ascertained on the basis of the Net Asset Value. The Management Company may announce a suspension or deferral of redemption in such cases. Such a measure shall be taken to protect the interest of the Unit Holders in the event of extraordinary circumstances or in the event redemption requests accumulate in excess of ten percent (10%) of the Units in issue. In the event of a large number of redemption requests accumulating, the requests may be processed in a Queue System and under extreme circumstances the Management Company may decide to wind up the Fund. (Details of the procedure in clause 4.9)

Such suspension or queue system shall end on the day following the first Business Day on which the conditions giving rise to the suspension or queue system shall in the opinion of the Management Company have ceased to exist and no other condition under which suspension or queue system is authorized under the Deed exists. In case of suspension and invoking a queue system and end of suspension and queue system the Management Company shall immediately notify the Commission and Trustee and publish the same in at least two daily newspapers, one in English and one in Urdu, widely circulating in Pakistan.

#### **4.11 Offer (Purchase) and Redemption (Repurchase) of Units outside Pakistan**

**4.11.1** Subject to exchange control and other applicable laws, rules and regulations, in the event of arrangements being made by the Management Company for the Offer (Purchase) of Units to persons not resident in Pakistan or for delivery in any country outside Pakistan, the price at which such Units may be issued may, at the discretion of the Management Company, include in addition to the Offer (Purchase) Price as herein before provided a further amount sufficient to cover any exchange risk insurance, any additional stamp duty or taxation whether national, local or otherwise leviable in that country in respect of such issue or of the delivery or issue of Certificates, or any additional costs relating to the delivery of certificates or the remittance of money to Pakistan or any other cost in general incurred in providing this facility.

**4.11.2** In the event that the Redemption Price for Units shall be paid in any country outside Pakistan, the price at which such Units may be redeemed may at the discretion of the Management Company include as a deduction to the Redemption Price as hereinbefore provided a further amount sufficient to cover any exchange risk insurance and any additional stamp duty or taxation whether

national, local or otherwise leviable in that country in respect of such payment or redemption or any bank or other charges incurred in arranging the payment or any other cost in general incurred in providing this facility.

**4.11.3** The currency of transaction of the Trust is the Pakistani Rupee and the Management Company, Trustee or any Distributor are not obliged to transact the purchase or redemption of the Units in any other currency and shall not be held liable, save as may be specifically undertaken by the Management Company, for receipt or payment in any other currency or for any obligations arising there from.

## **4.12 SERVICE TO UNIT HOLDERS**

### **4.12.1 Availability of Forms**

All the forms mentioned and/or included in this Offering Document will be available at the Management Company, all the Authorized Branches of all Distribution Offices or on its web site at [www.hblfunds.com](http://www.hblfunds.com)

### **4.12.2 Register of Unit Holders**

- a) A Register of Unit Holders shall be maintained by Transfer Agent Department of the Management Company presently having its office at Suite 403-404, The Forum, Khayaban-e-Jami, Clifton, Karachi.
- b) Every Unit Holder will have a separate account folio. Such account will reflect all the transactions in that account held by such Unit Holder.
- c) The Holder will be entitled to inspect his record in the Register and request copies thereof on any Business Day from 10.00 A.M. to 1.00 P.M., except during the days when the Register is closed in accordance with the provision of the Deed, with the prior arrangement with the Management Company or the Transfer Agent.
- d) The Register shall be conclusive evidence as to the Units held by each Holder.

### **4.12.3 Information in the Register**

The Register will contain the following information:

#### **A) About Unit Holders**

- 1) Name of Unit Holder/Joint Holders;
- 2) Address of Unit Holder/first named joint Holder;
- 3) National Identification Number(s) of Unit Holder/ Joint Unit Holders and or identification number of passport if applicable

- 4) Father's/Husband's name of Unit Holder in case of individuals;
- 5) Occupation of Unit Holders/joint Holders;
- 6) Tax/Zakat status of Holder;
- 7) Record of signature of Holder; and
- 8) Bank details
- 9) Particulars of Nominee(s);
- 10) Such other information as the Management Company may require

**B) About Units**

- 1) Type and Class;
- 2) Certificate number, if applicable;
- 3) Date of purchase/redemption/transfer and the reference number, if any;
- 4) Number of Units held;
- 5) Information about lien / pledge / charge on Units.

**C) Instructions**

- 1) Instruction about reinvestment or payment of dividend in Units or encashment of units;
- 2) Instructions for redemption application;
- 3) Information and instruction about pledge/charge/lien of Units;
- 4) Information and instruction about nominees in case of death of the Unit Holder, and;
- 5) Bank details for Redemption / Dividend mandate.

**D) Request for Changes**

The Unit Holders may notify in writing any change of name or address or any other particular to the relevant Authorized Branch of the Distribution Office, or to the Transfer Agent. The Distribution Office or Management Company will forward such application to Transfer Agent, who on being satisfied therewith and on compliance with such formalities (including in the case of a change of name the surrender of any Certificate previously issued to such Holder and the payment of the fee) shall alter the Register or cause it to be altered accordingly and in the case of a change of name shall issue a new Certificate, if required, to such Holder.

**4.12.4 Account Statement**

Upon written confirmation from the Trustee that the Offer Price for each Unit has been received in full from the applicant, the Transfer Agent may issue an Account Statement that will constitute evidence of the number of Units registered in the name of the Holder.

The Transfer Agent will send directly to each Unit Holder a non-transferable Account Statement each time there is a transaction in the folio.

#### **4.12.5 Closure of Register**

The Register may be closed in consultation with the Trustee for such period as the Management Company may from time to time determine and after giving at least fourteen days notice to Holders, provided that it is not closed for more than forty-five days in any calendar year.

#### **4.12.6 Certificates**

- a) Unit Certificates will be issued only if requested by the Unit Holders together with a fee at the rate of Rs. 25/ (Rupees twenty five) per certificate or any other amount as determined by the Management Company from time to time.
- b) Certificates where requested shall be issued as herein provided not later than fifteen Business Days after the date of such request. The Certificate may be sent to the Holder or his duly authorized nominee at his own risk by registered post or by delivery or may be collected by the Unit Holder from the Distribution Company.
- c) In the case of Units held jointly the Transfer Agent shall not issue more than one Certificate for the Units held by such joint Holders and delivery of such Certificate to the Holder named first therein shall constitute sufficient delivery to all joint Holders. All payments required under this Deed (i.e. redemption and dividend) will be made to first named joint Holder.
- d) Certificates shall be issued in such form as may from time to time be agreed between the Management Company and the Trustee. A Certificate shall be dated, shall bear the name and address of the Management Company and the Trustee, shall bear a serial number and shall specify the number of Units represented thereby and the name and address of the Holder as appearing in the Register.
- e) Certificates shall only be issued for Units that have been fully paid, in such denomination as may be required by the Holder.
- f) Certificates will not be issued for fractional Units.

#### 4.12.7 Replacement of Certificates

- a) Subject to the provisions of the Trust Deed and in particular to the limitations of the denomination of Certificates as may be fixed by the Management Company and subject to any regulations from time to time made by the Trustee with the approval of the Management Company every Holder shall be entitled to exchange upon surrender of the existing Certificate any or all of his Certificates for one or more Certificates of such denominations as the Holder may require representing the same aggregate number of Units.
- b) In case any Certificate shall be lost, stolen, mutilated, defaced or destroyed, the Transfer Agent with the approval of the Management Company may issue to the person entitled new Certificate in lieu thereof. No such new Certificate shall be issued unless the applicant shall previously have:
  - i. returned the mutilated or defaced Certificate or furnished to the Distribution Company/Transfer Agent evidence satisfactory to the Management Company of the loss, theft or destruction of the original Certificate,
  - ii. paid all expenses incurred in connection with the investigation of the facts and any notice to be issued in newspaper inviting any claim (if any) against the lost Certificate to be notified to the Management Company, Trustee or Transfer Agent; and
  - iii. Furnished such indemnity as the Management Company and the Trustee may require. Neither the Management Company nor the Trustee nor the Distribution Office/Transfer Agent shall incur any liability for any action that they may take in good faith under the provisions of this sub-clause.
  - iv. In case of joint Holder, obtain the written consent of the joint Holder for issuance of such new certificates.
- c) Before the issuing of any Certificate under the provisions of this sub-clause the Distribution Company/Transfer Agent may require from the applicant for the Certificate the payment to it of a fee of Rs. 25/ (twenty five Rupees) for each Certificate, subject to revisions of fee from time to time by the Management Company together with a sum sufficient (if any) in the opinion of the Management Company to cover any Duties and Charges payable in connection with the issue of such Certificate.

#### **4.13 PROCEDURE FOR REQUESTING CHANGE IN UNIT HOLDERS PARTICULARS:**

##### **4.13.1 Who can request change?**

All existing Unit Holders or those who have purchased Units as per Clause 4.5 are eligible to change their Unit Holder details if they so desire. The Unit holder will be liable for any taxes, charges or duties that may be levied on any of the above changes that the unit holder may request.

##### **4.13.2 Joint Holders**

Unless the Joint Holders of Units have specified otherwise, any change in details of such units shall be signed by all the Joint Holders.

##### **4.13.3 Nomination**

Subject to any Personal Laws that may be applicable to a Unit Holder, a single Unit Holder can nominate a successor to receive the Units upon his death by filling in the relevant portion of the Purchase Form (or may request a nomination or change in nomination through the special instruction in writing). Nominee(s) can be nominated only by single Unit Holder when there are no Joint Holders. The maximum number of Nominee(s) can be two (02) in number with their respective shares mentioned in percentage against their respective names. Such nomination shall however not restrict the Management Company or the Trustee or the Transfer Agent from demanding succession certificate from appropriate court of law and they shall not be liable in any manner in case of any disputes among the legal heirs of the deceased.

#### **5 DISTRIBUTION POLICY**

##### **5.1 Distribution Policy**

The net amount available for distribution at the end of the financial year (or such interim period as may be decided by the Management Company), shall comprise of the revenues earned by the Fund including the net impact of the revenue collected and paid out in the NAV calculation through Offer (Purchase) and Redemption (Repurchase) of Units, less all expenses incurred or accrued attributable to the Fund.

The Fund may distribute 90% of the amount available for distribution or any other payout ratio as bonus Units, cash dividends, additional Units or a combination of cash/bonus/additional Units or in any other form acceptable to the Commission in order to avail tax exemption or any other benefits in the interest of the Unit Holder.

The Fund will comply with regulatory and taxation requirements and the distribution policy may be amended accordingly.

##### **5.2 Declaration of Dividend**

The Management Company shall decide not later than forty five (45) days after the end of the Accounting Period whether to distribute profits, if any, available for distribution in the form of dividends to the Unit Holders and shall advise the

trustee accordingly. Such profits may be distributed in bonus Units, cash, additional Units, or a combination thereof as the Management Company may determine.

### **5.3 Determination of Distributable Income**

5.3.1 The amount available for distribution in respect of any Accounting Period shall be the sum of all income and net realised appreciation, from which shall be deducted:

- a) the expenses as stated in clause 6.2 of this Offering Document.
- b) any taxes of the Fund.

5.3.2 The income qualifying for distribution shall be adjusted as under:

- a) deduction of a sum by way of adjustment to allow for effect of purchase of shares or any of the investments cum dividend, interest, profit or mark-up;
- b) addition of a sum representing amounts included in the price of Units for income accrued up to the date of issue and deduction of a sum representing all participation in income distributed upon redemption of Units during the relevant period.
- c) adjustment if considered necessary by the Management Company to reflect diminution in value of Trust Property in consultation with the Trustee.

5.3.3 The proceeds of sales of rights and all other receipts deemed by the Management Company to be in the nature of capital accruing from Investments shall not be regarded as available for distribution but shall be retained as part of the Trust Property, provided that such amounts out of the sale proceeds of the Investments and out of the sale proceeds of the rights, bonus shares and all other receipts as deemed by the Management Company to be in the nature of the net realized appreciation may be distributable to the Unit Holders by the Trustee upon instructions of the Management Company and shall thereafter cease to form part of the Trust Property once transferred to the Distribution Account.



#### **5.4 Reinvestment of Dividend**

Dividends shall be automatically reinvested in additional Units, however a Unit Holder may instruct the Management Company in writing by completing the prescribed form not to re-invest the future dividends to which he will be entitled. In such an event future dividends shall be paid by way of transfer to his designated bank account. Unit Holders may opt to receive the amount equivalent to their share of the annual cash distribution in the form of additional Units. In such an event, the Management Company shall at the end of the financial year (or the relevant period in the event of an interim distribution) cause to issue such number of Units to the Unit Holder that approximately equates the value of the Cash Dividend for the period. The issue price shall be determined on the basis of the NAV of June 30 or relevant date after appropriation of income of that year/ relevant period, but without any charge of the Front-End Load normally deducted from the offer price. The issuance of the bonus Units shall be made, net of any taxes, charges and duties that the Management Company or the Trustee is obliged to recover from the Unit Holder

5.4.1 A Unit Holder may in writing at the time of purchase of Units or at a later date instruct the Management Company to reinvest the future dividends to which he will be entitled into Units.

5.4.2 The Offer (Purchase) Price for the Units to be issued under Clause 4.5 above will be the NAV at the Distribution Date after the adjustment of the announced dividend.

#### **5.5 Bonus Units**

The Management Company may decide to distribute, wholly or in part the distributable income in the form of bonus Units if it is in the interest of Unit Holder, which would comprise of the Bonus Units of the Trust. The Bonus Unit would rank *pari passu* as to their rights in the Net Assets, earnings and receipt of dividend and distribution with the existing Units from the date of issue of these Bonus Units. The account statement or Unit Certificate shall be dispatched to the Unit Holder within fifteen (15) days of the issue of Bonus Units. The Unit Holder(s) have the option to en-cash the Bonus Units at ex-dividend Net Asset Value as on June 30 or relevant period.

#### **5.6 Payment of Dividend**

All payments for dividend shall be made by transfer of funds to the Unit Holder(s) designated bank account or through any other mode(s) of payment and such payment shall be subject to NBFC Rules.

#### **5.7 Dispatch of Dividend Warrants/ Advice**

Dividend warrants/advice and or Account Statement as the case may be shall be dispatched to the Unit Holder's or the charge-holder's registered address as per the Rules.

## **6 - FEES AND CHARGES**

### **6.1 Fees and Charges Payable by an Investor**

#### **6.1.1 Sales and Processing Charges**

A Sales Load not exceeding five percent (5%) of the Net Asset Value may be included in the Offer Price or deducted from the Net Asset Value in order to determine the Redemption Price. (The current Front End Load and Back End Load is Nil as indicated in Annexure "B"). The issue price applicable to bonus Units issued by way of dividend distribution or issue of Units in lieu of cash distribution shall not include any Front-End Load. Transfer of Units from one owner to another shall be subject to a processing charge of an amount not exceeding one percent (1%) of the Net Asset Value at the date the request is lodged within business hours on the business day to the Authorized Distributor, or Transfer Agent or Management Company, which shall be recovered from the transferee. The investors shall be liable to pay all stamp and other duties, taxes, government charges, bank charges, transfer fees, registration fees and other duties and charges in connection with the issue, sale, transfer, redemption or purchase of Units or in respect of the issue, transfer, cancellation or replacement of a certificate or otherwise which may have become payable in respect of or prior to or upon the occasion of transacting or dealing.

#### **6.1.2 Remuneration of Distribution Company / Investment Facilitator / Sales Agents**

- a) The Distribution Company or any Investment Facilitator/Sales Agents employed by the Management Company will be entitled to a remuneration payable by the Management Company (out of its own resources) on terms and conditions to be agreed between the Management Company and the Distribution Company/Advisor/Facilitator/Sales Agent.
- b) The remuneration of the Distribution Company shall be paid by the Trustee and/ or Management Company and shall not be charged to the Trust Property. The remuneration due to the Distribution Company shall be paid on terms and conditions as mutually agreed.
- c) Distributor/Investment Facilitators or Sales Agents located outside Pakistan may if so authorized by Trustee and the Management Company be entitled to a remuneration (by the Management Company from its own resources) on terms and conditions mutually agreed between the Management Company and the Distributor located outside Pakistan, subject to the law for the time being in force.

**6.1.3 Redemption Processing Charge (Back-end Load)**

The Unit Redemption Price is calculated after deducting a processing charge not exceeding 5% percent from the Net Asset Value of the Unit (The current level of Back-end Load is NIL as indicated in Annexure “B”).

**6.2 Fees and Charges Payable by HBL Income Fund**

The following expenses will be borne by the Fund:

**6.2.1 Remuneration of the Management Company**

The Management Company shall be entitled to receive:

A remuneration of an amount not exceeding three percent (3.0%) per annum of the average annual Net Assets for the first five years of the scheme and there after of an amount equal to two percent (2.0%) per annum of the average annual Net Assets.

The remuneration shall begin to accrue from the close of the Initial Offer period. In respect of any period other than an Accounting Period such remuneration shall be prorated on the basis of the actual number of days for which such remuneration has accrued in proportion to the total number of days accrued in the Accounting Period concerned.

The Management Company shall be entitled to draw advance remuneration on a monthly basis from the Trust Property out of its accrued remuneration.

**6.2.2 Remuneration of the Trustee**

The Trustee shall be entitled to a monthly remuneration out of the Deposited Property based on an annual tariff of charges, which shall be applied to the average daily Net Asset Value during such calendar month. The remuneration shall begin to accrue from the close of the Initial Period. For any period other than a full calendar month such remuneration will be prorated on the basis of the actual number of days for which such remuneration has accrued. Any costs incurred by the Trustee such as legal and related costs incurred in protecting or enhancing the interests of the Fund or the collective interest of the Unit Holders, are reimbursable at actual, out of the Fund’s properties. All expenses incurred by Trustee affecting the registration of all registerable property in Trustee’s name for the benefit of the Fund, are reimbursable at actual, out of the Fund’s properties.

**6.2.3** Brokerage and Transaction Costs related to investing and disinvesting of the Deposited Property.

**6.2.4** Bank charges and borrowing / financial costs.

**6.2.5** Auditors’ Fees and expenses; and

- 6.2.6 Formation Cost estimated at but not exceeding one percent (1%) of the Core Investment (Seed Capital) that will be amortized over a period not exceeding five years.
- 6.2.7 Listing Fee payable to the Stock Exchange(s) on which Units may be listed.
- 6.2.8 Annual fee payable to the Commission under Rule 79 of the Rules.
- 6.2.9 Taxes, if any, applicable to the Trust and its income and/or its properties. Rating fee and other expenses directly related to or arising out of the activities of the Fund.
- 6.2.10 Marketing expenses specifically related to the Fund.
- 6.2.11 Charges and levies of stock exchange(s), Commission charges, National Clearing and Settlement Company, CDC, CVT, Laga, Fund Dividend/Redemption of units transfer charges as payable to bank at time of transfer of funds to Unit Holder and other levies and charges.
- 6.2.12 Such expenses shall be reimbursed to the Management Company at actual, if these are paid by Management Company on behalf of the Fund, within 30 days.

**6.3 Expenses of the Management Company and the Trustee**

The Management Company and Trustee shall bear all expenditures in respect of their respective secretarial and office space and professional management including all accounting and administrative services provided in accordance with the provisions of the Deed. Neither the Management Company nor the Trustee shall make any charge against the Unit Holders nor against the Deposited Property nor against the Distribution Account for their services nor for expenses, except such expenses or fees as are expressly authorized under the provisions of the Rules and the Deed to be payable out of Fund Property

## **7 - TAXATION**

### **7.1 Taxation on the Income of the Fund**

#### **7.1.1 Liability for Income Tax**

Under the Tax Law in Pakistan, the definition of a public company includes a trust formed under any law for the time being in force. The Fund will be regarded as a public company liable to tax rate applicable to a public company.

The income of the Fund will accordingly be taxed at the following rates:

- a) Dividend Income: 5%
- b) Capital gains arising on sale of securities listed on any Stock Exchange in Pakistan are exempt from tax up to June 30, 2007.
- c) Return from all other sources/instruments is taxable at the rate of 35% applicable to a public company.

#### **7.1.2 Liability for Income Tax if 90% of the Income is Distributed**

Notwithstanding the tax rates stated under Clause 7.1 above, the accounting income of the Fund will be exempted from tax if not less than 90% of the accounting income of the accounting period is distributed amongst the Unit Holders. The 90% of the accounting income shall be calculated after excluding capital gains whether realised or unrealised. HBL - Income Fund will seek to comply with the requirements of tax exemption and distribute at least 90% of the accounting income, calculated after excluding capital gains to the Unit Holders.

#### **7.1.3 Withholding Tax**

Subject to Clause 7, all income, namely, dividend, return from term finance certificates, return on deposits with banks / financial institutions, return from contracts, securities or instruments of companies, organizations, and establishments will not be subjected to any withholding tax.

#### **7.1.4 Capital Value Tax**

Under Finance Act, 1989 (V of 1989) as amended by Finance Act 2004 (II of 2004), a Capital Value Tax at the rate of 0.02% of the purchase value of the modaraba certificates or any instrument of redeemable capital as defined under Companies Ordinance, 1984 (XLVII of 1984) or shares of a public company listed on a registered stock exchange in Pakistan shall be charged on purchase of the same. This tax will be collected by the stock exchange concerned.

## 7.2 Taxation and Zakat Liability on Unit Holders

### 7.2.1 Disclaimer

The information set forth below is included for general information purposes only. In view of the individual nature of tax implications, each investor is advised to consult with his or her tax advisor with respect to the specific tax implications of investment in the Fund.

### 7.2.2 Liability of Income Tax

7.2.2.1 Dividend paid to Unit Holders other than the portion of dividends paid out of capital gains on sale of listed securities shall be subject to the income tax rates prevalent.

The current rates are as hereunder:

Particulars	Income Tax Rate	Withholding Tax Rate
Public Companies & Insurance Companies	5%	5%
Others	10%	10%

7.2.2.2 The rate of tax so specified will be the final tax and the payer (Trustee) will be required to withhold the amount of tax at source.

7.2.2.3 Unit Holders who are exempt from income tax may provide the relevant exemption certificate to the Management Company and / or Registrar in order for income tax not to be withheld.

7.2.2.4 In terms of the provisions of the Income Tax Ordinance, 2001, the withholding tax shall be deemed to be full and final liability in respect of such distribution.

### 7.2.3 Capital Gains

Capital Gains on disposal of Units in the Fund will be subject to capital gains tax at the applicable tax rate. The Units of the Fund will be listed on at least one of the Stock Exchange(s) in Pakistan. Consequently; subject to listing the Capital Gain on disposal of the Units shall be exempt from tax up to tax year ending on June 30, 2007.

#### **7.2.4 Tax Credit**

Unit Holders (other than companies) shall be entitled to a tax credit under the Income Tax Ordinance, 2001 on purchase of new Units of Unit Trusts listed on a stock exchange in Pakistan, where the person, other than a company is the original allottee. The amount on which tax credit will be allowed shall be the lesser of:

- a) total cost of acquiring the Units;
- b) 10% of taxable income of the Unit Holder; or
- c) PKR 200,000

and will be calculated by applying the average rate of tax of the Unit Holder for the tax year. If the Units so acquired are disposed within twelve months of the date of acquisition, the amount of tax payable by the Unit Holder for the tax year in which the Units were disposed shall be increased by the amount of the credit allowed. The Fund will seek to be listed on at least one of the Stock Exchange(s) in Pakistan.

#### **7.2.5 Zakat**

**7.2.5.1** Units held by Pakistani resident Unit Holders shall be subject to Zakat under the Zakat and Ushr Ordinance, 1980 as applicable, except those exempted under the said Ordinance. Zakat will be deducted at source from the dividend amount or from the redemption payment, whichever is earlier.

#### **DISCLAIMER**

**The tax and Zakat information given above is based on the Management Company's tax adviser's interpretation of the law, which to the best of the Management Company's understanding is correct but Investors are expected to seek independent advice so as to determine the taxability arising from their investment in the Units of the Fund. Furthermore, tax and Zakat laws, including rates of taxation and of withholding tax are subject to amendments from time to time. Any such amendments in future shall be deemed to have been incorporated herein.**

**All information contained in Clause 7 is based on current taxation status. The exemptions and rates of taxation are subject to change from time to time.**

## **8 - REPORTS AND ACCOUNTS**

### **8.1 Financial Year of Fund/Trust**

The Accounting Period shall be the period ending on and including an Accounting Date and commencing (in case of the first such period) on the date immediately after the close of First Offer, (in any other case) from the first day subsequent to the end of the preceding Accounting Period. The Accounting Date shall be the thirtieth day of June in each year.

### **8.2 Reports to the Unit Holders**

**8.2.1** The following reports will be sent to the Unit Holders physically (or through electronic means or made available on the web):

- a) Annual report, together with a copy of balance sheet, income and expenditure account and the Auditors report of the Fund to the Trustee and the Unit Holders within four months of the closing of the Accounting Date.
- b) Within one month of the closing of first and third quarter and within two months of the closing of first half year (6 months) of each Accounting Date, balance sheet as at the end of that period, profit and loss account, cash flow statement and statement of changes in equity for the period, whether audited or otherwise.
- c) Trustee shall issue a report to the Unit Holders to be included in the annual report of the Fund to be sent to the Unit Holders, whether in the Trustee's opinion, the Management Company has in all material respects managed the Fund in accordance with the provisions of the Deed and the NBFC Rules and if the Management Company has not done so, the respect in which it has not done so and the steps, which the Trustee has taken in respect thereof.

**8.2.2** The regularity of reporting will change if so required by the Commission or under the NBFC Rules and the Ordinance.

### **8.3 Financial Information**



A.F.FERGUSON & CO.

A member firm of

PRICEWATERHOUSECOOPERS 

A.F.Ferguson & Co  
Chartered Accountants  
State Life Building No. 1-C  
I.I.Chundrigar Road, P.O.Box 4716  
Karachi-74000, Pakistan  
Telephone: (021) 2426682-6 / 2426711-5  
Facsimile: (021) 2415007 / 2427938

The Board of Directors  
HBL Asset Management Limited  
Suite No. 403-4, FORUM  
G-20, Khayaban-e-Jami  
Clifton  
Karachi

February 21, 2007

C 0636

Dear Sirs

**AUDITORS' CERTIFICATE FOR RECEIPT OF SUBSCRIPTION TOWARDS SEED CAPITAL – HBL INCOME FUND (THE FUND)**

As requested by you we have verified from the books and records of the Fund managed by HBL Asset Management Limited that a sum of Rs 250,000,000 (Rupees Two Hundred Fifty Million only) has been received up to February 19, 2007 in the Fund's bank account maintained with Habib Bank Limited (Corporate Center Branch) towards subscription of seed capital of the Fund. The amount has been received from Habib Bank Limited.

This certificate is being issued only for submission as part of HBL Income Fund 'Offering Document'.

Yours truly



A.F.FERGUSON & CO.

A member firm of

PRICEWATERHOUSECOOPERS 

A.F.Ferguson & Co  
Chartered Accountants  
State Life Building No. 1-C  
I.I.Chundrigar Road, P.O.Box 4716  
Karachi-74000, Pakistan  
Telephone: (021) 2426682-6 / 2426711-5  
Facsimile: (021) 2415007 / 2427938

The Board of Directors  
HBL Asset Management Limited  
Suite No. 403-4, FORUM  
G-20, Khayaban-e-Jami  
Clifton  
Karachi

February 21, 2007

C 0637

Dear Sirs

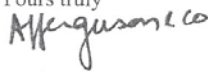
**NET ASSET VALUE (UNAUDITED) OF EACH UNIT OF HBL INCOME FUND (THE FUND)**

As requested by you we confirm that on the basis of the details provided to us, the Net Assets of the Fund as on February 19, 2007 amount to Rs. 250,000,000. The Net Asset Value of each unit proposed to be issued amounts to Rs. 100 and has been computed as follows:

	(Rupees)
Net assets of the Fund	250,000,000
Number of units (core units) proposed to be issued	2,500,000
Net Asset Value per unit	Rs. 100

This certificate is being issued only for submission as part of HBL Income Fund 'Offering Document'.

Yours truly



### **8.3.3 Formation Cost**

All preliminary and floatation expenses of the Trust including expenses incurred in connection with the authorization of the Scheme, execution and registration of the Constitutive Document, issue, circulation, legal costs, printing, circulation and publication of the Offering Document, Marketing of the Fund and inviting investments there in and all expenses incurred during the Initial Period, shall be borne by HBL-IF and amortized over a period of not more than five years. The cost will not exceed one percent (1%) of the Core Investors Investment into the Fund.

## **9 - WARNING**

### **9.1 Offering Document**

**The provisions of the Trust Deed & the Rules govern this Offering Document. This Offering Document sets out the arrangements covering the basis of the Fund Units. It sets forth information about the Fund that a prospective investor should know before investing in any Unit of the Fund. Prospective investors should consult one or more from amongst their legal adviser, stockbroker, bank manager, or other financial adviser.**

### **9.2 Fluctuation in Price and Income**

**Prices of Units and income from them may go up or down.**

### **9.3 Disclaimer**

**The investor must recognize that all investments involve varying level of risk. Neither the value of Units in the Fund nor the dividend to be declared by the Fund can be assured. The historical performance of this Fund, the financial market or that any one security or transaction included in the Fund's portfolio does not necessarily indicate future performance. Investors are advised to read risk disclosure as mentioned in this document in Clause 2.7 for more information concerning risk.**

## **10 - GENERAL INFORMATION**

### **10.1 Inspection of Constitutive Documents**

The copies of constitutive documents i.e. Trust Deed and Offering Documents can be inspected free of charge or purchased from the addresses given below.

HBL Asset Management,  
Suite 403-404,  
The Forum,  
G-20, Kahyaban-e-Jami,  
Clifton, Karachi.

## **10.2 Date of Publication of Offering Document**

The Offering Document has been published on 15<sup>th</sup> March, 2007. The Management Company accepts responsibility for the information contained in the Offering Document as being accurate at the date of publication.

## **11 - TERMINATION OF HBL INCOME FUND**

### **11.1 By the Management Company**

HBL-IF may be terminated by the Management Company by giving three (3) months notice in writing to the Holders on the grounds given in the Trust Deed and Clause 4.9 of this offering document. The grounds on which termination is made shall be mentioned in the notice to the Unit Holders.

### **11.2 By the Securities and Exchange Commission of Pakistan (Commission)**

If the Commission considers that further continuation of the authorization of HBL-IF will not be in the interest of Unit Holders, it will give a three months notice to the Unit Holders about its intention not to maintain such authorization, provided that no notice shall be served without offering an opportunity of hearing to the Management Company.

### **11.3 Winding up**

In case of the termination of HBL-IF, the Management Company shall be required to wind-up HBL-IF and refund the proceeds to the Unit Holders in such a manner and within such time as may be specified by the Commission.

## Annexure A

### **Distribution Companies:**

- 1) HBL Asset Management Limited (Head Office)  
403-404 The Forum,  
G-20 Khayaban-e-Jami,  
Clifton, Karachi.
- 2) Habib Bank Ltd  
The following branches of Habib Bank Ltd are Authorised Distributors for HBL-  
Income Fund:

### **Sindh**

#### **Karachi**

Kekashan Branch  
DC-7,Block 7,  
Schon Circle,  
Clifton, Karachi  
Phone: 021 9250802/9250768  
Fax: 9250803

Foreign Exchange Branch  
Foreign Exchange Centre,  
M.A. Jinnah Road,  
Habib Square, Karachi  
Phone: 021 9213997/9213939  
Fax: 9213436

Clifton Branch  
Shahrah Iran (Opp Glass Tower)  
Clifton, Karachi  
Phone: 021 9250800/9250804  
Fax: 5873310

Nursery Branch  
Main Shahra-e-Faisal,  
Jamshed Town, Karachi  
Phone: 021 4521127/4381304  
Fax: 4538482

Shahrah-e-Jahangir Branch  
Block L North Nazimabad,  
Karachi  
Phone: 021 6648034/6629671  
Fax: 6642090

Corporate Branch  
2<sup>nd</sup> Floor, HBL Plaza,  
I.I.Chundrigar Road, Karachi  
Phone: 021 2418000  
Fax: 2441492

### **Punjab**

#### **Lahore**

Lahore Development Authority Branch  
7 Egertan Road,  
Data Gunj Bukhsh Town, Lahore  
Phone: 042 6365015/9200275  
Fax: 6302032

Shahra-e-Quaid-e-Azam Branch  
The Mall, 5 Bank Square,  
Data Gunj Bukhsh Town, Lahore  
Phone: 042 9212212/9212226  
Fax: 9212233

Corporate Branch  
Habib Bank Corporate Centre,  
102-103 Upper Mall, Lahore  
Phone: 042 9201022

## **Gujranwala**

Satellite Town Branch  
Main Market,  
Satellite Town, Gujranwalla  
Phone: 055 9200590/9200591  
Fax: 9200590

## **Faisalabad**

Madina Town Branch  
Madina Town,  
Faisalabad  
Phone: 041 9220122/9220124  
Fax: 9220123

Canal Road Branch  
West Canal Road,  
Faisalabad  
Phone: 041 8532077  
Fax: 8531985

Corporate Branch  
HBL Corporate Centre,  
1152 Circular Road,  
Faisalabad  
Phone: 041 9200038  
Fax: 9201041

## **Rawalpindi**

Kashmir Road Branch  
Kashmir Road,  
Saddar, Cantt, Rawalpindi  
Phone: 051 5700107/5582905  
Fax: 5567928

## **Islamabad**

Jinnah Avenue Branch  
Jinnah Avenue,  
Islamabad  
Phone: 051 2201761/2201228  
Fax: 2822290

Corporate Branch  
Ground Floor, HBL Tower,  
Blue Area, Islamabad  
Phone: 051 2820683  
Fax: 2822206

## **NWFP**

### **Peshawar**

Arbab Road Branch  
Peshawar Cantt.  
Peshawar  
Phone: 091 272167/9211161  
Fax: 278869

## **Balochistan**

### **Quetta**

Complex Branch  
Shahrah-e-Gulistan,  
Quetta  
Phone: 081 2836575/2829379  
Fax: 2825791

## Annexure B

### **Current level of load**

The current level of sales load has been set at 0%.



# FORMS

## **DEFINITIONS**

Unless the context requires otherwise the following words or expressions shall have the meaning respectively assigned to them:

- 1.1 **“Accounting Date”** means the thirtieth day of June in each year provided that the Management Company with the written consent of the Trustee, change such date to any other date and such change shall be intimated to the Commission.
- 1.2 **“Accounting Period”** means a period ending on and including an Accounting Date and commencing (in case of the first such period) on the date on which the Trust Property is first paid or transferred to the Trustee and (in any other case) from the end of the preceding Accounting Period.
- 1.3 **“Account Statement”** means statement of transactions in Units in the folio of the Holder.
- 1.4 **“Audit Date”** means the date on which the Auditor issues its report in respect of the Scheme’s balance sheet and income and expenditure account for the corresponding Accounting Period.
- 1.5 **“Auditor”** means the Auditors of the Trust appointed by the Management Company as per the Rules.
- 1.6 **“Authorised Branch”** or **“Branches”** means those branches of the Distributors authorised by the Management Company to perform the Distribution Function.
- 1.7 **“Authorised Investment”** means investments transacted, issued, traded or listed inside or outside Pakistan and includes any of the following:
  - a) Bonds, Debentures, Debenture Stock, Participation Term Certificates, Term Finance Certificates, Euro bonds, Global Deposit Receipts of debt securities (GDR), Certificate of Musharafa issued by a Modaraba having a minimum investment grade credit rating, certificate of investment issued by a NBFC having a minimum investment grade credit rating and other asset backed or mortgaged backed securities. Such investments shall include those for ready as well as those for future settlements;
  - b) Treasury bills, Pakistan Investment Bond, Federal Investment Bonds and any other Government Securities;
  - c) Money Market Instruments, Certificates of Deposit and Bankers Acceptances;
  - d) Term Deposits in Banks or with financial institutions; including deposits in local currency or in currencies other than the Pakistani Rupee, Certificates of Investment issued by NBFC having a minimum investment grade credit rating.

- e) Investment in any debt security that may or may not be listed on the Stock Exchange but does not include bearer security or any security that would involve assumption of un-limited liability;
- f) Repurchase transactions (REPO's) for the purpose and to the extent allowed under the Rules and reverse REPO's against eligible securities.
- g) Continuous Funding System (CFS) or similar transaction by whatever name called in eligible securities. Investment in CFS shall be restricted up to a maximum of 50% of the Net Assets of the Fund, with no more than twenty (20) percent of CFS amount in any one script at the time of investment.
- h) Secured and Unsecured, listed or likely to be listed debt securities issued by local governments, other government agencies, private or public sector entities and or financial institutions having a minimum investment grade rating.
- i) Convertible debt securities issued by corporate/financial institutions having a minimum investment grade rating. In case HBL Income Fund is required to convert the debt securities into shares; it would offload the ordinary shares within a period of three (3) months of the ordinary shares being issued. Total investment by HBL-IF in convertible debt securities will not exceed fifteen (15) percent of its Net Assets.
- j) Convertible and non-convertible preference shares. In case HBL-IF is required to convert the preference shares into ordinary shares, it would offload the ordinary shares within a period of three (3) months of the ordinary shares being issued. Total investment by HBL-IF in convertible preference shares will not exceed fifteen (15) percent of its Net Assets.
- k) Certificates of Investment/Deposits issued by financial institutions having a minimum investment grade rating by a credit rating agency registered with the Commission.
- l) Asset Backed and Mortgage backed Debt Securities.
- m) Commercial Paper and any other Money market debt security that may or may not be listed on the Stock Exchange but does not include Restricted Investments.
- n) Spread Transactions i.e. Transactions aimed at earning a spread in the price of securities resulting from the timing difference between ready and future settlements. HBL-IF will buy in the ready settlement market and sell in the future settlement market. Both transactions would be carried out

simultaneously so as to avoid any risk emanating from the movement in the prices of underlying securities.

- o) Warrants, Options, derivatives subject to prior approval of the Commission.
  - p) Foreign fixed income securities issued; listed or otherwise and traded outside Pakistan on such terms, guide lines and directions as may be issued by the Commission and State Bank of Pakistan from time to time.
  - q) Any investment, which has been authorized by the Commission but does not include Restricted Investments.
- 1.9** “**Back-end Load**” means a processing charge deducted from the Net Asset Value in determining the Redemption Price.
- 1.10** “**Bank**” means a banking company licensed under the Banking Companies Ordinance, 1962 or any other regulation for the time being in force and shall include a bank incorporated outside Pakistan and carrying on Banking Business in Pakistan as a scheduled bank.
- 1.11** “**Bank Accounts**” means those accounts the beneficial ownership of which rests in the Holder and for which Trustee has been appointed as the trustee.
- 1.12** “**Broker**” means any person engaged in the business of effecting transactions in securities for the account of others.
- 1.13** “**Business Day**” means a day on which Banks are open for business in Pakistan.
- 1.14** “**Continuous Funding System (CFS)**” means a form of financing through the Stock Exchange consisting of two simultaneous transactions, the first for purchase of an underlying security (shares) on the following scheduled settlement date for the security and the second for selling back the security for a subsequent settlement date.
- 1.15** “**Certificate**” means the definitive certificate acknowledging the number of Units registered in the name of the Holder issued at the request of the Holder pursuant to the provisions of this Deed.
- 1.16** “**Companies Ordinance**” means the Companies Ordinance, 1984, as amended from time to time.
- 1.17** “**Commission**” means the Securities and Exchange Commission of Pakistan, established under section 3 of the Securities and Exchange Commission of Pakistan Act, 1997.
- 1.18** “**Connected Person**” shall have the same meaning as in the Rules.

- 1.19 “Constitutive Document”** means the Trust Deed that is the principal document governing the formation, management or operation of the Trust, the Offering Document and all material agreements in relation to the Trust.
- 1.20 “Contingent Load”** means Sales Load payable on redemption of Units within a certain number of years from the date of purchase and/ or at a rate declining for every year Units are held.
- 1.21 “Core Investors”** means the initial investors, who shall be required to subscribe to the number of Units of the aggregate par value as prescribed in Rule 67(2)(f) of the Rules and to hold the same for a minimum period of two years from the date of payment in full of such Units.
- 1.22 “Core Units”** means such Units of the Trust that are issued to Core Investors with the condition that these are not redeemable for a period of two years from the date of issue. However, such Units are transferable with this condition and shall rank pari passu with all other Units save for this restriction. Any transfer of these Core Units, during the first two years of their issue, shall be affected only on the receipt by the Transfer Agent of a written acceptance of this condition by the transferee and the Management Company will, prior to such transfer, intimate the Commission.
- 1.23 “Custodian”** means (a) Bank(s) that may be appointed by the Trustee with the approval of the Management Company to hold and protect the Trust Property or any part thereof as custodian on behalf of the Trustee; and/or (b) the Trustee, with the approval of the Management Company, to hold and protect the Trust Property or any part thereof as custodian and shall also include the Trustee itself, if it provides Custodial services for the Trust.
- 1.24 “Deposited Property” or “Trust Property”** means the aggregate proceeds of the sale of all Units at Offer Price after deducting therefrom or providing thereout any applicable Sales Load and Duties and Charges and includes the Investment and all income, profit and other benefits arising therefrom and all cash and other assets movable or immovable and property of every description for the time being held or deemed to be held upon trust by the Trustee for the benefit of the Holders pursuant to this Deed but does not include any amount standing to the credit of the Distribution Account.
- 1.25 “Discount Rate”** means the rate at which the State Bank of Pakistan makes funds available to banks for short periods against the collateral of government bonds; and if no longer published then the substitute thereof.
- 1.26 “Distribution Account”** means the account (which may be a current, saving or deposit account) maintained by the Trustee with a Bank, approved by the Management Company in which the amount required for the distribution of income to the Holders shall be transferred.
- 1.27 “Distributor/ Distribution Company”** means a person, company, firm or a Bank appointed by the Management Company with the consent of the Trustee for performing the Distribution Function and shall also include the Management Company itself, if it performs the Distribution Function.

**1.28“Distribution Function”** means with regard to:

- (a) Receiving applications for issue of Units together with the aggregate Offer Price for Units applied for by the applicants;
- (b) Issuing of receipts in respect of (a) above;
- (c) Issuing Units to the applicants in accordance with the terms of the scheme.
- (d) Interfacing with and providing services to the Holders including receiving redemption applications, transfer applications, conversion notices and applications for change of address or issue of duplicate Certificates for immediate transmission, in accordance with the instructions given by the Management Company or the Trustee, to the Management Company or the Trustee, to the Management Company or the Transfer Agent as appropriate; and
- (e) Accounting to the Trustee for all (1) moneys received from the applicants for issuance of Units; (2) payments made to the Holders on redemption of Units; and (3) expenses incurred in relation to the Distribution Function.

**1.29“Duties and Charges”** means in relation to any particular transaction or dealing all stamp and other duties, taxes, Government charges, brokerage, bank charges, transfer fees, registration fees and other duties and charges whether in connection with the constitution of the Trust Property or the increase or decrease of Trust property or the creation, issue, sale, transfer, redemption or purchase of Units or the sale or purchase of Investments or in respect of the issue, transfer, cancellation or replacement of a Certificate or otherwise which may have become or may be payable in respect of or prior to or upon the occasion of the transaction or dealing in respect of which such duties and charges are payable but do not include the remuneration payable to the Distribution Company or any Commission, charges or costs which may have been taken into account in ascertaining the Net Asset Value.

**1.30“Formation Cost”** means all preliminary and floatation expenses of the Trust including expenses in connection with authorization of the Scheme, execution and registration of the Constitutive Document, issue, circulation and publication of the Offering Document and all expenses incurred during the Initial Period.

**1.31“Front-end Load”** means the Sales Load that is included in the Offer Price of Units.

**1.32“Government Securities”** means securities and other instruments issued and to be issued by any Federal or Provincial Government or Municipal Bodies of the Islamic Republic of Pakistan and/or State Bank of Pakistan, including but not limited to Federal Investment Bonds, Pakistan Investment Bonds and any securities/ instruments replacing or substituting the foregoing from time to time.

**1.33“Holder” or “Unit Holder”** means the investors for the time being entered in the Register as owner of a Unit, including investors jointly so registered pursuant to the provisions of this Deed.

- 1.34“Initial Period” or “Initial Offering Period”** means a period determined by the Management Company not exceeding ninety days during which Units will be offered at the Initial Price in terms of the Offering Document.
- 1.35“Initial Price”** means the price per Unit during the Initial Offering Period determined by the Management Company.
- 1.36“Investment”** means any Authorised Investment forming part of the Trust Property.
- 1.37“Investment Facilitator/ Sales Agents”** means an individual, firm, corporate or other entity appointed by the Management Company to identify, solicit and assist investors in investing in the Scheme. The Management Company shall compensate the Investment Facilitators/ Sales Agents out of the Sales Load collected by it in the Offer Price.
- 1.38“Net Assets”** shall have the same meaning as in the Rules.
- 1.39“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.
- 1.40“No Sales Load”** means no Sales Load payable on sale or redemption of Units.
- 1.41“Offer Price”** means the sum to be paid to the Trustee for issuance of one Unit, such price to be determined pursuant to clause 7.1 of the Deed.
- 1.42“Offering Document”** means the prospectus, advertisement or other document (approved by the Commission), which contains the investment and distribution policy and all other information in respect of the Scheme, as, required by the Rules and is calculated to invite offers by the public for purchase of Units in the Unit Trust.
- 1.43“Online”** means transactions through electronic Data Interchange whether real-time transactions or otherwise which may be through the internet, intranet networks and the like.
- 1.44“Ordinance”** means the Securities and Exchange Ordinance, 1969, as amended from time to time.
- 1.45“Par Value”** means the face value of a Unit that shall be Rupees Ten (Rs. 10) or such other amount as may be determined by the Management Company in consultation with the Trustee from time to time and such other amount shall be intimated to the Commission.
- 1.46“Permitted Amendments”** is defined in clause 14.1 of the Deed.
- 1.47“Personal Law”** means the law of inheritance and succession as applicable to the individual Unit Holder.
- 1.48“Redemption Price”** means the amount to be paid to the relevant Holder of a Unit upon redemption of that Unit, such amount to be determined pursuant to clause 7 of the Deed.
- 1.49“Register”** means the Register of the Holders kept pursuant to the Rules and this Deed.
- 1.50“Registrar Functions”** means the functions with regard to:
- (a) Maintaining the Register;

- (b) Receiving application for redemption and transfer/ transmission of Units directly from Holder or legal representatives or through Distributor;
- (c) Processing requests for issue, redemption, transfer and transmission of Units and requests for recording of pledge or for recording of changes in information/ particulars/ data with regard to the Holders;
- (d) Issuing Account Statements to Holders;
- (e) Issuing Certificates including Certificates in lieu of undistributed income to Holders;
- (f) Dispatching income distribution warrants and allocating Units to Holders on re-investment of dividends as per clause 11.2.4 of the Deed;
- (g) Cancelling old Certificates on redemption or replacement;
- (h) Maintaining record of lien/ pledge/ charge; and
- (i) Keeping record of change of addresses/ other particulars of the Holders.

**1.51 “Reporting Currency/ Base Currency”** means the currency used in presenting the financial statements which will be the Pakistani Rupee.

**1.52 “Restricted Investments”** means the following:

- (a) Bearer securities;
- (b) Securities on margin;
- (c) Securities which result in assumption of unlimited liability (actual or contingent);
- (d) Commodities or commodity contracts; and
- (e) Real estate or interest in real estate save and except in securities which are secured by real estate or interests therein or issued by companies that invest in real estate or interest therein and are approved by the Management Company;
- (f) Any investment, which is not an Authorised Investment as defined in Definition 1.8 of this deed, provided such investment has been approved by the Commission as Authorised Investment.

**1.53 “Rules”** mean the Non Banking Finance Company (Establishment and Regulation) Rules 2003, as amended from time to time.

**1.54 “Sales Load”** means the sales and processing charge or Commission (excluding Duties and Charges) not exceeding five percent (5%) of the Net Asset Value, which may be included in the Offer Price of certain class of units or deducted from the Net Asset Value in order to determine the Redemption Price of certain classes of Units. The Management



Company may apply different levels of Sales Load for different types of Units and/or for different types of Plans under the HBL Income Fund.

- 1.55** “**Stock Exchange**” means Karachi Stock Exchange, Lahore Stock Exchange, Islamabad Stock Exchange or any other stock exchange registered under Section 5 of the Ordinance.
- 1.56** “**Subscription Day**” means every Business Day provided that the Management Company may with the prior written consent of the Trustee and upon giving not less than seven days notice in at least two newspapers widely circulated in Pakistan, declare any particular Business Day not to be a Subscription day.
- 1.57** “**Supplementary Offering Document**” means a document issued by the Management Company, in consultation with the Trustee, after seeking approval of the Commission, describing the special features of an administrative plan offering investment in the Income Fund or a combination of the Income Fund and other schemes managed by the Management Company, or any amendments made to the Offering Document.
- 1.58** “**Transaction Cost**” means the cost incurred or estimated by the Management Company to cover the cost (such as but not restricted to, brokerage, Trustee charges, taxes or levies on transactions, etc.) related to the investing or disinvesting activity of the Trust’s portfolio, inter alia, necessitated by creation or cancellation of Units, which costs may be added to the NAV for determining the Offer Price of Units or to be deducted from the NAV in determining the Redemption Price.
- 1.59** “**Transfer Agent**” means a company including a Bank that the Management Company may appoint for performing the Registrar Function or the Management Company may itself perform the registrar function.
- 1.60** “**Trust**”, “**Unit Trust**”, “**Fund**” or “**Scheme**” means the Unit Trust constituted by this Trust Deed for continuous offers for sale of Units.
- 1.61** “**Trust Deed**” or “**Deed**” means this Trust Deed executed between the Management Company and the Trustee.
- 1.62** “**Unit**” means one undivided share in the Trust and where the context so indicates a fraction thereof.

Words and expressions used but not defined herein shall have the meanings assigned to them in the Rules. Words importing persons include corporations, words importing the masculine gender include the feminine gender, words importing singular include plural words, “written” or “in writing” include all means of visible reproduction.