

PARTICIPANTS AND PROSPECTIVE PARTICIPANTS ARE ADVISED IN THEIR OWN INTEREST TO CAREFULLY READ THE CONTENTS OF THIS OFFERING DOCUMENT IN PARTICULAR THE RISK FACTORS MENTIONED IN CLAUSE 8.10 AND WARNINGS IN CLAUSE 16 BEFORE MAKING ANY INVESTMENT DECISION

Offering Document

HBL Islamic Pension Fund

(HBL IPF)

A Voluntary Pension Fund

Managed By:

HBL Asset Management Limited.

(The Pension Fund Manager)

**Registered under the
Voluntary Pension System Rules, 2005**

Launch Date: December 16, 2011

Please note that this 'Offering Document' is comprised of 24 parts which should be read in conjunction with each other and HBL Asset Management Limited has prepared and accepts responsibility for this 'Offering Document'. The contents of this 'Offering Document' are accurate to the best of our knowledge as of October 27, 2011

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1. INTRODUCTION TO THE HBL ISLAMIC PENSION FUND (HBL IPF)

HBL Islamic Pension Fund is established in Pakistan as a Voluntary Pension Fund through a Trust Deed, dated August 17, 2011, entered in between HBL Asset Management Limited in its capacity as the Pension Fund Manager and Central Depository Company of Pakistan Limited in its capacity as the Trustee and authorized under the Voluntary Pension System (VPS) Rules, 2005.

The Pension Fund shall initially consist of three (3) Sub-Funds to be called

- HBL IPF Equity Sub-Fund (the “Equity Sub-Fund”)
- HBL IPF Debt Sub-Fund and (the “Debt Sub-Fund”)
- HBL IPF Money Market Sub- Fund (the “Money Market Sub-Fund”)

After successfully managing the above mentioned Sub-Funds, the Pension Fund Manager may, with the approval of the Commission, launch other Sub-Funds through a Supplementary Trust Deed and a Supplementary Offering Document for investments in other asset classes, including securitized investment in real estate or in assets outside Pakistan (for avoidance of doubt, additional Sub-Funds may include combinations of new and existing classes of assets). Thereafter, any reference to the Sub-Funds in the Trust Deed or the Offering Document shall be construed to include any such new Sub-Fund.

1.1 Salient Features of the Pension Fund

Term Sheet

Fund Name	HBL Islamic Pension Fund (HBL IPF)
Fund Structure	Unit Trust Scheme consisting of Sub-Funds under the VPS Rules 2005.
Fund Objective	To provide a secure and Shariah compliant source of savings and regular income after retirement to the Participants
Eligibility	Every Pakistani national over the age of 18 years holding a valid CNIC or NICOP
Minimum Contribution	The minimum amount of Contribution to open an account is Rs. 500/- and the minimum amount of contribution to an existing account is Rs. 500/- per transaction. There is no maximum limit of contribution. However, Tax Credit will be available to the extent specified in the Income Tax Ordinance, 2001.
Contribution Frequency	Annual, semi-Annual, quarterly or monthly
Contribution Mechanism	Cheque, bank draft, pay order (crossed account payee only), Online Transfers (only for HBL A/C Holders*) titled “CDC- Trustee HBL Islamic Pension Fund” payable to the Trustee on any Dealing Day. Any other electronic form of Transfer. Contribution in the form of Cash or any bearer instruments shall not be

	<p>made and accepted.</p> <p><i>*The Pension Fund Manager may make arrangements with other Banks for online transfers from time to time. Such Arrangements (if any) will be communicated to Participants through the company's website.</i></p>																								
Investment Mechanism	<p>Takaful Contributions (for optional takaful covers) is deducted from Contributions made by the Participant, followed by deduction of applicable Front-end Fee. The remaining Contribution amount is then credited to the Participant's Individual Pension Account and is invested in the underlying Sub-Funds of the HBL Islamic Pension Fund as per the Allocation Scheme selected by the Participant.</p>																								
Allocation of Contributions & Allocation Schemes	<p>Contributions shall be allocated among the Units of Sub-Funds at Net Asset Value, as per the selected Allocation Scheme, from amongst the following Five (5) Schemes being offered by the Pension Fund Manager.</p> <table border="1"> <thead> <tr> <th>Allocation Scheme</th> <th>Equity Sub-Fund</th> <th>Debt Sub-Fund</th> <th>Money Market Sub-Fund</th> </tr> </thead> <tbody> <tr> <td>High Volatility</td> <td>Min 65%</td> <td>Min 20%</td> <td>Nil</td> </tr> <tr> <td>Medium Volatility</td> <td>Min 35%</td> <td>Min 40%</td> <td>Min 10%</td> </tr> <tr> <td>Low Volatility</td> <td>Min 10%</td> <td>Min 60%</td> <td>Min 15%</td> </tr> <tr> <td>Lower Volatility</td> <td>Nil</td> <td>Min 40%</td> <td>Min 40%</td> </tr> <tr> <td>Life Cycle Allocation</td> <td colspan="3">Starting with a higher equity investment allocation for an individual aged 18 years, the equity allocation is gradually reduced and transferred to Debt and Money Market Funds as an individual reaches the age 60 years.</td> </tr> </tbody> </table>	Allocation Scheme	Equity Sub-Fund	Debt Sub-Fund	Money Market Sub-Fund	High Volatility	Min 65%	Min 20%	Nil	Medium Volatility	Min 35%	Min 40%	Min 10%	Low Volatility	Min 10%	Min 60%	Min 15%	Lower Volatility	Nil	Min 40%	Min 40%	Life Cycle Allocation	Starting with a higher equity investment allocation for an individual aged 18 years, the equity allocation is gradually reduced and transferred to Debt and Money Market Funds as an individual reaches the age 60 years.		
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Life Cycle Allocation	Starting with a higher equity investment allocation for an individual aged 18 years, the equity allocation is gradually reduced and transferred to Debt and Money Market Funds as an individual reaches the age 60 years.																								
Investment Strategy	<p>The Pension Fund Manager shall design investment strategy to optimize returns on investments within the parameters of Investment Policy specified by the Commission. The Pension Fund Manager shall also offer different Allocation Schemes to Participants to choose from, allowing them to adopt an investment strategy, according to their risk / return requirements</p>																								
Reallocation Policy	<p>Units held in the Individual Pension Account shall be reallocated by the Pension Fund Manager between the Sub-Funds at least once a year to ensure that the allocation of Units of all Participants is in line with the Allocation Scheme selected by them.</p>																								
Front-end Fee	<p>Maximum of 3 % on all Contributions, unless exempt under this Offering Document</p>																								
Management Fee	<p>1.5 % p.a. on average Net Assets of each Sub-Fund.</p>																								
Taxation	<p>Tax Credit will be available to Participants on contributions during any Tax Year subject to the limits prescribed under the Income Tax Ordinance, 2001 (XLIX OF 2001)</p>																								

Benefits / Withdrawal on Retirement	<p>All Units of each Sub-Fund held by a Participant in his Individual Pension Account shall be redeemed at the Net Asset Value notified at close of the day of retirement or, if that day is not a Business Day, the following Business Day. The Participant will then have the following options, namely:</p> <p>(a) to en-cash up to fifty percent (50%) or any percent as admissible under the Income Tax Ordinance, 2001, of the amount in his Individual Pension Account, without any Tax deductions. Tax will be deducted at a rate of the average tax percentage of the Participant for the previous 3 years, if the Participant withdraws any amount over and above 50% as cash; and</p> <p>(b) either to use the remaining amount to purchase an annuity from a Life Insurance/Takaful Company of his choice; or</p> <p>(c) enter into an agreement with the Pension Fund Manager to transfer his balance to an Approved Income Payment Plan offered by the Pension Fund Manager or another pension fund manager and withdraw from it monthly installments till the age of 75 years or earlier according to the Approved Income Payment Plan.</p>
Early Withdrawal / Withdrawal before Retirement	<p>Participants at any time before retirement are entitled to redeem the whole or any part of the Units held to their credit in their Individual Pension Account. Tax may be applicable in accordance with the requirements of the Income Tax Ordinance, 2001 and, if applicable, will be deducted by the Pension Fund Manager from the amount withdrawn.</p>
Transfers to and from other Pension Funds	<p>Participants shall be entitled to transfer part or whole of their Individual Pension Accounts from this Pension Fund to another (once a year on their anniversary date). There shall be no Tax or charges on such transfers. Similarly Participants are allowed to transfer- in their funds from other pension funds to this Pension Fund without having to pay any Front End Fee to the Pension Fund Manager.</p>
Transparency	<p>Daily calculation and announcement of NAV of each Sub -fund</p>
Distribution Restriction	<p>Any income earned shall be retained and accumulated in the respective sub-funds and no distribution / Dividend shall be made from the Pension Fund.</p>

2. REGULATORY APPROVALS AND CONSENT

2.1 Registration of the Pension Fund Manager

HBL Asset Management Limited, the Pension Fund Manager of HBL Islamic Pension Fund, having its registered office at 8B, 8th Floor, Executive Tower, Dolmen City, Block 4, Clifton, Karachi, Pakistan, is a non-banking finance company and has been licenced by the Securities and Exchange Commission of Pakistan under the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 through licence No. NBFC-II/17/HBLAMC/AMS/09/2011 dated April 1, 2011 & NBFC-II/18/HBLAMC/IAS/09/2011 dated April 1, 2011 to carry out Asset Management Services and Investment Advisory Services and has been registered as a pension fund manager under sub-rule (2) of Rule 5 of the Voluntary Pension System Rules, 2005 by the Securities and Exchange Commission of Pakistan through its Certificate of Registration as Pension Fund Manager No. SECP/PW/Reg-06/HBL dated May 06 2011, appended hereto as Annexure "A".

2.2 Authorization of the Pension Fund

The Pension Fund Manager has been authorized by the Commission through its letter No. 9 (1)SEC/SCD/PW-HBL-02/132 dated October 5, 2011 appended hereto as Annexure "B", to constitute the Pension Fund under the name and title of "HBL Islamic Pension Fund" (hereinafter referred to as the "**HBL Islamic Pension Fund**", "**Pension Fund**" or **HBL IPF**, or "**Trust**") and authorized the formation of a scheme, under the name, "**HBL Islamic Pension Fund**", under rule (9) of the Voluntary Pension System Rules, 2005.

2.3 Appointment of the Trustee

The Central Depository Company of Pakistan Limited, having its registered office at CDC House, 99-B, Block 'B', S.M.C.H.S., Main Shahrah-e-Faisal, Karachi, Pakistan, has been approved by the Commission to act as the trustee of "HBL Islamic Pension Fund" through its letter No. 9 (1)SEC/SCD/PW-HBLAM/105 dated July 27, 2011 appended hereto as Annexure "C".

2.4 Registration of the Trust Deed

The Pension Fund Manager has been authorized by the Commission vide its letter No. 9 (1) SEC/SCD/PW-HBLAM/107 dated July 27, 2011, appended hereto as Annexure "D", to execute and to register the Trust Deed.

2.5 Approval of the Offering Document

This Offering Document sets out the arrangements covering the basic structure of **HBL Islamic Pension Fund**. The provisions of the Trust Deed, the Voluntary Pension System

Rules, , 2005 and the Islamic Shariah as per the guidelines provided by the Shariah Advisor hereafter govern this Offering Document and In case of any ambiguity in the constitutive documents of HBL Islamic Pension Fund, the VPS Rules 2005 shall prevail. It sets forth information about the Fund that a prospective Participant should know before contributing to the Pension Fund. **Participants should read this Offering Document carefully prior to contributing to / participating in the Pension Fund, and retain the Offering Document for future reference.**

The Commission has, through its letter No. 22 (1) SEC/SCD/PW-HBL-02/2011/165 dated December 02, 2011 approved this Offering Document as per the guidelines for Authorization of Pension Fund under sub Rule (1) of Rule (9) of the Rules

However, it must be distinctly understood that such an approval or authorization by the Commission neither implies official recommendation by the Commission to participate in /contribute to the Pension Fund nor does the Commission take any responsibility for the financial soundness of the Pension Fund and its Sub-Funds or for the correctness of any statements made or opinions expressed in this Offering Document.

If you have any doubt about the contents of this Offering Document, you should seek independent professional advice, from your legal, financial or tax advisor.

This Offering Document contains necessary information for the public to make an informed decision to participate in the Pension Fund described herein. The Participants are advised, in their own interest, to carefully read the contents of the Offering Document, in particular, the risks mentioned in Clause 8.10 and Warnings in Clause 16, before making any participation/contribution decision. Participants may note that this Offering Document remains effective until a material change occurs and they should retain this Offering Document for future reference. Material changes shall be filed with the Commission and circulated to all Participants or may be notified by advertisements in the newspapers, or on the Pension Fund Manager's website, subject to the applicable provisions of the Trust Deed and the Rules. Participants must recognize that all investments involve varying levels of risk. The portfolios of the Sub-Funds of the Pension Fund consist of market-based investments and are subject to market fluctuations and risks inherent in all such investments. It should be noted that the value of Units of the Sub-Funds can fall as well as rise, in response to market conditions. It should also be noted that under certain circumstances the realization of Units may be restricted. All Investments of the Fund and of the Sub- Funds shall be in adherence to the Islamic Shariah. Due to limited number of Shariah compliant securities it is possible that adherence to the Islamic Shariah will cause the Fund and/ or the Sub- Funds to perform differently from funds with similar objectives, but which are not subject to the requirements of Islamic Shariah.

3. FILING OF THE OFFERING DOCUMENT

The Pension Fund Manager has filed a copy of this Offering Document with the Commission, signed by all directors of the Pension Fund Manager, along with copies of the documents mentioned below:

- (1) Trust Deed, dated August 17, 2011, executed between Pension Fund Manager and the Trustee constituting the Pension Fund;
- (2) Letter dated KA-AQ-727 dated December 1, 2011 from the Auditors confirming the subscription for the Units of Pension Fund by the core investors.
- (3) Consents of the auditors, legal advisor and trustee to their respective appointments and being named and described as such in this Offering Document.
- (4) Letter No. SECP/PW/Reg-06/HBL dated May 06, 2011 from the Commission, registering the Pension Fund Manager as a pension fund manager under the Rules,
- (5) Letter No. No. 9 (1) SEC/SCD/PW-HBLAM/105 dated July 27, 2011 from the Commission to the Pension Fund Manager, approving the Trustee to act as the trustee of the Pension Fund.
- (6) Letter No. No. 9 (1) SEC/SCD/PW-HBL-02/132 dated October 5, 2011 from the Commission, authorizing the Pension Fund.
- (7) Letter No. No. 22 (1) SEC/SCD/PW-HBL-02/2011/165 dated December 02, 2011 from the Commission, approving this Offering Document.

4. CONSTITUTION OF THE PENSION FUND

4.1 Constitution of HBL Islamic Pension Fund (HBL IPF)

The Pension Fund has been established as a trust under the Trusts Act, 1882 (II of 1882) through a trust deed dated August 17, 2011 executed between HBL Asset Management Limited (the Pension Fund Manager), as party of the one part, and The Central Depository Company of Pakistan (the Trustee), as party of the other part.

4.2 The Trust Deed

The Trust Deed is subject to, and governed by, the laws of Pakistan, including the Ordinance, the Rules and all other applicable laws, rules and regulations and will be deemed, for all purposes, whatsoever, to incorporate the provisions required to be contained in a trust deed by the Rules as a part and parcel thereof and, in the event of any conflict between the Trust Deed and the Rules, the latter will supersede and prevail over the provisions contained in the Trust Deed except where the Commission allows deviations under its power given by the Rules.

The terms and conditions of the Trust Deed, and any Supplementary Trust Deed will be binding upon each Participant.

4.3 Grounds of Modification of the Trust Deed

- (1) The Trustee and the Pension Fund Manager acting together shall be entitled by a Supplementary Trust Deed hereto to modify, alter or add to the provisions of the Trust Deed in such manner and to such extent as they may consider expedient for any purpose, subject to thirty (30) days prior notice to the Participants and the subsequent approval of the Commission, if so required; *provided that* the Trustee and the Pension Fund Manager shall certify in writing that, in their opinion such modification, alteration or addition is required pursuant to any amendment in the Rules or to ensure compliance with any laws and regulations and fiscal or statutory requirement or to enable the provisions of the Trust Deed to be more efficiently, conveniently or economically managed or otherwise for the benefit of the Participants and that it does not prejudice the interests of the Participants or any of them or operate to release the Trustee or the Pension Fund Manager from any responsibility to the Participants.
- (2) Where the Trust Deed has been altered or supplemented, the Pension Fund Manager shall again notify the Participants and the participating employers immediately by a notice published in a newspaper having wide circulation and by placing the same on its website.
- (3) The Pension Fund Manager may from time to time with the consent of the Trustee frame operational procedures 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 Rules, the Trust Deed or this Offering Document.
- (4) Where a change or amendment in the Rules or the Income Tax Ordinance, 2001, or any other applicable law or regulation, renders any of the clauses contained in the Trust Deed and the Offering Document ineffective or in need of amendment, such clause will automatically stand replaced by the new change or amendment and no modification shall be required unless or otherwise instructed. However, if the Pension Fund Manager is amending the Trust Deed or any Supplementary Trust Deed for any reason, the Pension Fund Manager may also amend such clauses that have been automatically overwritten and amended due to a change / amendment in the Rules and / or the Income Tax Ordinance, 2001.
- (5) If at any time, any clause of the Trust Deed is and / or becomes in whole or in part illegal, invalid or unenforceable under the laws of any applicable jurisdiction, neither the legality, validity and enforceability of the remaining clauses of the Trust Deed, nor the legality, validity or enforceability of such clause under the law of any other jurisdiction shall in any way be affected or impaired thereby.
- (6) If the Commission grants any relaxations or exemptions of the Rules for the Pension

Fund, these shall be deemed to be part of this Offering Document without the need of altering it. However, in cases of significant changes, the Commission may require issuance of Supplementary Offering Document from time to time.

4.4 Seed Capital provided by the Core Unit Holders

The seed capital of the Pension Fund shall be provided by Habib Bank Limited. Therefore, Habib Bank Limited is the only Seed Investor. Seed Capital Units have been issued to the Seed Investor as under:

Name of Sub-Fund	No of Units (Seed Capital Units)	Initial Par Value of each Unit (PKR)	Amount (PKR Millions)
HBL IPF Equity Sub-Fund	300,000	100	30
HBL IPF Debt Sub-Fund	300,000	100	30
HBL IPF Money Market Sub-Fund	300,000	100	30

The Seed Capital Units subscribed by the Pension Fund Manager have been issued at a par value of Pakistan Rupees One Hundred per Unit (Rs. 100/ Unit) and shall not be redeemable for a period of 3 years from the date of issue or as maybe determined by the Commission. A mention of such restriction and its termination date shall be entered into the Register and shall be noted on any Accounts Statement in respect of such units.

4.5 Type/ Feature of Units of the Sub-Funds

The Pension Fund shall initially consist of three Sub-Funds to be called:

- i- HBL IPF Equity Sub-Fund (the “**Equity Sub-Fund**”)
- ii- HBL IPF Debt Sub-Fund (the “**Debt Sub-Fund**”)
- iii- HBL IPF Money Market Sub-Fund (the “**Money Market Sub-Fund**”)

All Units and fractions thereof represent an undivided share in the respective Sub-Fund and rank *pari passu* as to their rights in the Net Assets and earnings of that Sub-Fund. Each Participant has a beneficial interest in the Pension Fund proportionate to the Units held by such Participant in the respective Sub-Fund in his Individual Pension Account. The liability of the Participant shall be limited to the amount paid against the number of Units or in certain circumstances cash, as may be allowed by the Rules, held by each Participant in his Individual Pension Account.

All Units shall be issued in a non-certificated form, except the Seed Capital Units that may be issued in a certificated form, if required by the Core Unit Holders.

The Units in the Sub-Funds issued to the Participants would be non-transferable to another Participant/person. They shall only be redeemable in case of retirement (including retirement in the instance of disability), premature encashment/redemption, death of the Participant, and change of pension fund manager, change of Allocation Schemes and/or rebalancing of the portfolio/ Allocation Schemes.

The initial Par value of the Units of each of the Sub-Funds is Pakistan Rupees One Hundred (Rs. 100), which is applicable only to the subscription of the Seed Capital Units. The amount received from the Core Investors has been allocated to each Sub-Fund. From the Launch Date, the Pension Fund Manager shall open participation in the HBL Islamic Pension Fund to the eligible Participants on a continuous basis, through offer of Units of Sub-Funds issued at NAV calculated in the manner prescribed under the Rules or as may be specified by the Commission from time to time, after deduction of Front-end Fee from the Contribution amounts received. Units of the relevant Sub-Fund shall be issued to each Participant as per the selected 'Allocation Scheme', identified in clause 6.6, for the contributions among the Sub-Funds.

5. OPERATORS AND PRINCIPALS

5.1 The Pension Fund Manager

HBL Asset Management Limited is the Pension Fund Manager of HBL Islamic Pension Fund (HBL IPF), having its registered office as mentioned below:

Registered Office:

8B, 8th Floor,
Executive Tower, Dolmen City,
Bloch IV, Clifton,
Karachi

Any change in the registered office address of the Pension Fund Manager shall be notified by the Pension Fund Manager to the Commission and the Trustee from time to time.

HBL Asset Management Limited (the Company) is a wholly owned subsidiary of Habib Bank Limited and was incorporated on February 17, 2006 as a public limited company under the Companies Ordinance 1984. The Company is licensed to provide Investment Advisory and Asset Management Services by Securities and Exchange Commission of Pakistan as per Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003.

HBL Asset Management is currently managing 6 Mutual Funds including 2 Shariah Compliant Funds. The Assets under Management (AUM) of the Company are over Rs. 9.6 billion as of September 30, 2011.

5.2 Rating of the Pension Fund Manager

HBL Asset Management Limited has been awarded a Management Quality Rating of AM3+ from JCR-VIS. This signifies "High Quality Management" with a "Positive" outlook. This rating is valid for one (1) year, starting October 20, 2011.

5.3 Assets Under Management & Advisory

HBL AMC currently manages 6 Mutual Funds with Total assets under management (AUM) in excess of Rupees 9.6 billion as of September 30, 2011.

5.3.1 Performance record of the mutual funds under management

HBL Income Fund (HBL-IF)

Date of Launch: March 15, 2007

Listing: Lahore Stock Exchange (LSE)

Par Value: Rs. 100

Net Assets (Sep 30, 2011)	Rs. 1.55 billion	
NAV (Sep 30, 2011)	Rs. 101.3823	
Stability Rating	A (f) JCR-VIS	
Performance:	Return (p.a.)	Payout
Period July 1 to Sep 30, 2011	12.078%	8.05%
Year Ending June 30, 2011	11.68%	11.67%
Year Ending June 30, 2010	13.28%	9.58%
Year Ending June 30, 2009	4.03%	10.23%
Year Ending June 30, 2008	9.28%	9.19%
Year Ending June 30, 2007	9.58%	9.30%
Average annual return as on Sep 30, 2011 (since launch)	9.98%	9.69%

HBL Stock Fund (HBL-SF)

Date of Launch: August 29, 2007

Listing: Lahore Stock Exchange (LSE)

Par Value: Rs.100

Net Assets (Sep 30, 2011)	Rs. 2.01Billion	
NAV (Sep 30, 2011)	Rs. 95.0541	
Rating	1 year performance ranking: MFR 3 Star JCR-VIS 2 years performance ranking: MFR 4 Star JCR-VIS 3 years performance ranking: MFR 4 Star JCR-VIS	
Performance:	Return (p.a.)	Payout
Period July 1 to Sep 30, 2011	1.39%	-
Year Ending June 30, 2011	28.19%	12.52%
Year Ending June 30, 2010	19.52%	13.13%
Year Ending June 30, 2009	-17.8%	None
Year Ending June 30, 2008	-1.76%	7.02%
Average annual return as on Sep 30, 2011 (since launch)	6.73%	8.178%

HBL Multi Asset Fund (HBL-MAF)

Date of Launch: December 14, 2007

Listing: Lahore Stock Exchange (LSE)

Par Value: Rs.100

Net Assets (Sep 30, 2011)	Rs. 344.18 million	
NAV (Sep 30, 2011)	Rs. 86.8958	
Rating	1 year performance ranking: MFR 3 Star JCR-VIS 2 years performance ranking: MFR 3 Star JCR-VIS 3 years performance ranking: MFR 4 Star JCR-VIS	
Performance:	Return (p.a.)	Payout
Period July 1 to Sep 30, 2011	3.25%	-
Year Ending June 30, 2011	23.55%	18.95%
Year Ending June 30, 2010	19.17%	19.77%
Year Ending June 30, 2009	-16.79%	None
Year Ending June 30, 2008	-5.08%	7.45%
Average annual return as on Sep 30, 2011 (since launch)	7.46%	11.54%

HBL Money Market Fund (HBL-MMF)

Date of Launch: July 12, 2010

Listing: Lahore Stock Exchange (LSE)

Par Value: Rs.100

Net Assets (Sep 30, 2011)	5.040 billion	
NAV (Sep 30, 2011)	103.0806	
Rating	AA+ (f) JCRVIS	
Performance:	Return (p.a.)	Payout
Period July 1 to Sep 30, 2011	12.22%	10.91%
Year Ending June 30, 2011	11.54%	11.54%
Average annual return as on Sep 30, 2011 (since launch)	11.88%	11.23%

HBL Islamic Money Market Fund (HBL-IMMF)

Date of Launch: May 9, 2011

Listing: Lahore Stock Exchange (LSE)

Par Value: Rs.100

Net Assets (Sep 30, 2011)	Rs. 410.62 million	
NAV (Sep 30, 2011)	Rs. 102.5724	
Performance:	Return (p.a.)	Payout
Period July 1 to Sep 30, 2011	10.2%	8.9%
Period Ending June 30, 2011	10.46%	10.45%
Average annual return as on Sep 30, 2011 (since launch)	10.33%	9.69%

5.4 Board of Directors and Key Management of the Pension Fund Manager

5.4.1 Board of Directors

The Board of Directors of HBL AMC Consist of:

Name	Position	Other Directorships
Mr. Towfiq Chinoy	Chairman	<ul style="list-style-type: none"> i. New Jubilee Insurance Company Limited ii. Pakistan Cables Ltd. iii. International Industries Ltd. iv. BOC Pakistan Ltd. v. New Jubilee Life Insurance Limited vi. IGI Investment Bank Ltd. vii. Continental Furnishing Company Pvt. Ltd. viii. Packages Limited ix. International Steels Limited
Mr. Shahid Ghaffar	Chief Executive Officer/Director	<ul style="list-style-type: none"> i. Mutual fund Association of Pakistan
Mr. Sohail Malik	Director	<ul style="list-style-type: none"> i. Habib Bank Financial Services (Pvt)Ltd
Mr. Abid Sattar	Director	<ul style="list-style-type: none"> i. Countryside Natural Products (Pvt) Limited
Ms. Sadia Khan	Director	<ul style="list-style-type: none"> i. First Micro Finance Bank Ltd. ii. Kashf Foundation iii. Delta Shipping (Pvt) Limited iv. NBP Leasing Limited

Brief Profiles of the Directors are as follows:

Mr. Towfiq Chinoy - Chairman

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. Shahid Ghaffar – Chief Executive Officer

Mr. Shahid Ghaffar holds an MBA Degree from Gomal University, D.I.Khan, Khyber Pakhtunkhwa (formerly 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.

Mr. 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.

Mr. Abid Sattar – Director

Mr. Abid Sattar holds a MBA in Finance from Punjab University with Gold Medal for securing Top position and M.Phil in Economics and Politics of Development from Cambridge University, UK. Mr. Sattar was also awarded Quaid-e-Azam Merit Scholarship – the most coveted academic scholarship by Government of Pakistan for studying abroad. Mr. Sattar has extensive experience of over 24 years in Corporate & Consumer and Retail Banking, both in Pakistan as well as abroad. Mr. Sattar holds the distinction of being one of the pioneers in the establishment of Consumer Business in Pakistan with renowned banks such as Citibank NA, ANZ Grindlays Bank and Standard Chartered Bank. Currently, he is SEVP/Member Management Committee and Group Executive Retail & Consumer Banking at Habib Bank Limited (HBL). Before joining HBL in April 2006, Mr. Sattar was working with Standard Chartered Bank as Regional Head of Consumer Banking-Northern Gulf & Levant.

Ms. 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. Ms. 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.

5.4.2 Key Management

Mr. Shahid Ghaffar – Chief Executive Officer

Please refer to profile given in sub-clause 5.4.1 above.

Mr. Rehan N. Shaikh – Chief Operating Officer

Prior to joining HBL Asset Management Ltd at its inception, Mr. Rehan Shaikh worked at State Street Corporation in USA. With \$17.9 trillion in assets under custody and \$1.7 trillion under management, State Street is world leader in financial services. While there, Mr. Shaikh managed several groups which performed 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 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.

Mr. 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 16 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.

Sadaf Adnan - Head of Corporate Sales

Ms. Sadaf Adnan holds an MBA Degree from Quaid-e-Azam University, Islamabad. She has also done her Masters in Public Administration and Post Graduate Diploma in Computer Sciences. With over a decade of diversified experience holding key positions, Ms. Sadaf has served tremendously in the area of Institutional Sales and Marketing.

She started off her career in 2000 with ANZ Grindlays Bank, Rawalpindi where she managed corporate portfolios of clients. Later she joined as the Director Operations in Lyzac Works, Lahore where she executed advertising campaigns for clientele. In a span of a year, she became the Chief Operating Officer of Eden Developers Pvt.Limited. After three years, in 2004, she became part of Dynasel Pakistan Pvt. Limited (Lahore) as Director Corporate Sales and looked after the sales of existing brands along with revamping of advertising related collateral for company's profitability. In 2007, she was inducted as Regional Sales Head Central and North in JS Global Capital Limited and JS Investments Pvt. Limited. Over there she successfully handled fund distribution units and also brought about a functional change through team building and development of business pipelines. She also brought a major turnover by raising additional capital in Mutual Funds as well as money market instruments for the Company. Prior to joining HBL Asset Management Limited, she served as the Regional Head Central and North at NAFA where she was responsible for sales activities, coaching, training and general direction to sales team members.

Mr. Noman Ahmed Soomro – Chief Financial Officer

Mr. Soomro is a Chartered Accountant from the Institute of Chartered Accountant of Pakistan (ICAP). Prior to joining HBL Asset Management, he was working at A.F.Ferguson & Co Chartered Accountants; a member firm of Pricewaterhouse Coopers. During his five years at A.F.Ferguson & Co with the Assurance and Business Advisory Services of the firm, he conducted audits of major financial institutions of Pakistan including local and foreign commercial banks, mutual funds, modarbas, housing finance company and leasing companies. Mr. Soomro was also a key member of the team which conducted pre-acquisition Financial and Taxations Due Diligence Review of a commercial bank in Pakistan. Mr. Soomro has also conducted Internal Audit reviews of a large commercial bank and a foreign bank where the responsibilities included reporting on effectiveness and efficiency of internal audit department and independent reporting on internal control weaknesses.

Mr. Noman Qurban– Head of Compliance & Risk Management

Mr. Noman Qurban is a Chartered Accountant from the Institute of Chartered Accountant of Pakistan (ICAP). Prior to joining HBL Asset Management, he was working with a large brokerage house, looking after the Financial Reporting and Budgeting & Planning functions of the Company. He completed his articleship with A.F.Ferguson & Co Chartered Accountants; a member firm of Pricewaterhouse Coopers. During his association with A F Ferguson & Co he worked in the Assurance and Business Advisory Services of the firm performing audits of several Companies in various sectors including, mutual funds, banks, DFIs, oil and gas, steel, textile companies of Pakistan.

Mr. Umar Farooq – Fund Manager

Mr. Umar Farooq holds an MBA Degree with major in Management Information Systems (MIS). He has a diversified work experience of 9 years. He started his career in year 2000 with Ernest & Young Sidat Hyder Morshed Associates, working in Information System (IS) audit department. While working there for three years, he conducted audits for various Banks and Financial institutions including NBP, MCB and NIFT. In 2004, he joined ACE Securities (Pvt.) Limited as an Analyst in the research department, where he developed his skills in Technical Analysis of Financial Markets. After three years of concentrated research along with exposure to equity sales, he joined Global Securities Pakistan Limited as a Technical Analyst and AVP Institutional Equity

sales in 2006. During his tenure at Global Securities, Mr. Umar Farooq conducted extensive research and enhanced his skills in technical research. He was also responsible for institutional Equity sales. He joined HBL Asset Management in January 2008 as Manager Research and Product Development.

5.5 Role of the Fund Manager of HBL Islamic Pension Fund

The Pension Fund Manager shall designate a Fund Manager for HBL Islamic Pension Fund, who shall, use his investment experience and knowledge of pensions and based on the input from the Research Department, structure the portfolios for the individual Sub-Funds.

Additionally, the allocation of the asset classes within the plans offered under the Pension Fund, will be reviewed by the Chief Investment Officer from time to time and based on the assessment of key economic indicators, the Fund Manager will, in conjunction with the Investment Committee of the Pension Fund, decide on the relative attractiveness and valuation of various asset classes available (i.e. equity, debt and money market). In case of a change in the economic circumstances, the Fund Manager will re-allocate the relative weights of the asset classes within the Schemes with an appropriate increase or reduction in exposure in those asset classes that are expected to be most impacted. However, such changes shall be made within the limits set out in the Approved Allocation Policy given by the Commission.

5.6 Responsibilities, Obligations and Restrictions of the Pension Fund Manager

5.6.1 Obligations of the Pension Fund Manager

- (A) The responsibilities of the Pension Fund Manager are to invest and manage the assets of the Pension Fund according to the provisions of the Trust Deed and the Rules, in good faith, to the best of its ability, and without gaining any undue advantage for itself or any Connected Persons or its officers.
- (B) The Pension Fund Manager shall be responsible for all acts and omissions of all persons or agents to whom it may delegate the performance of its functions as pension fund manager of the Pension Fund, howsoever designated, as if they were its own acts or omissions.
- (C) The Pension Fund Manager shall account to the Trustee for any loss in value of the assets of the Pension Fund caused by its negligence, reckless or willful acts or omissions.
- (D) The Pension Fund Manager shall maintain proper accounts and records to enable a complete and accurate view to be formed of the assets and liabilities and the income and expenditure of each of the Sub-Funds, all transactions for the account of the Sub-Funds and Contributions received by the Pension Fund and withdrawals by the Participants including detail of tax penalties and withholding tax deducted at source and transfer or receipt of balances in the Individual Pension Accounts of the Participants to or from other pension fund managers.
- (E) The Pension Fund Manager shall prepare and transmit an annual report, together with a copy of the balance sheet and income and expenditure account and the Auditor's report

of the Sub-Funds, within the stipulated terms as specified by the Commission from time to time at the close of each Accounting Period to the Commission and the Participants, and the balance sheet and income and expenditure account shall comply with the requirements of the Rules.

- (F) The Pension Fund Manager shall within one month of the close of the first, second and third quarter of each Accounting Period, prepare and transmit to the Participants and the Commission a balance sheet as on the end of that quarter and a profit and loss account for that quarter, whether audited or otherwise, of the Pension Fund, and the balance sheet and income and expenditure account shall comply with the requirements of the Rules; *provided that* the Pension Fund Manager may, with the prior approval of the Commission, post the said quarterly accounts on its website instead of mailing them to the Participants.
- (G) The Pension Fund Manager shall maintain the Register and inform the Commission of the address where the Register is kept. For this purpose it may appoint a Registrar, who shall maintain Participants' records, issue statements of account and receipts for Contributions, process withdrawals and carry out all other related activities.
- (H) The Pension Fund Manager will appoint with the consent of the Trustee, at the establishment of the Pension Fund and upon any vacancy, an Auditor independent of the auditor of the company and the Trustee, but no Auditor shall be appointed for more than such consecutive terms as specified by the commission from time to time.
- (I) The Pension Fund Manager shall furnish to the Commission within one month of the close of each Accounting Period (i) particulars of the personnel (executive, research and other) managing the Pension Fund, (ii) total number of Participants, (iii) total value of all Individual Pension Accounts, (iv) total Contributions for the previous Accounting Period (if any), and (v) such other information that may be prescribed by the Commission from time to time.
- (J) The Pension Fund Manager shall send an Account Statement as at the 30th June and the 31st December each year, within thirty (30) days thereafter to each Participant, confirming the transactions for the six (6) month period before that date in the Participant's Individual Pension Account, including the amount and type(s) of Contributions received (that is, whether from an employer or the Participant); incoming transfers from other pension fund manager(s) or incoming transfers from any provident fund or transfer from a deceased person's Individual Pension Account or other types of benefit disbursements; retirement or pre-retirement payments along with the taxes withheld; death benefit payment or transfer to heirs; outgoing transfer to purchase an Approved Annuity Plan from a Life Insurance/Takaful Company; outgoing transfer to other pension fund manager(s); withdrawals; premia deducted out of the Contributions on account of any supplementary schemes opted by the Participant; or any other transaction. The statements shall include details of the number of Units allocated and held, the current valuation of the Units and such other information as may be specified by the Commission. Such Account Statement shall be provided to each Participant free of charge. Additionally, each Participant shall be entitled to receive any statement in respect of his Individual Pension Account at any time on written application. Such information may also be posted on the website or emailed and furnished electronically, subject to prior approval of the Commission.
- (K) The Pension Fund Manager shall send a certificate as at 30th June each year for claiming the tax credit to the Participants confirming the total Contribution made into their Individual Pension Accounts during the current Tax Year. The Pension Fund Manager shall send the certificate by 31st July each year.

- (L) The Pension Fund Manager shall, after intimating the Commission and the Trustee, from time to time appoint, remove or replace one or more Distribution Company(ies) for carrying the Distribution Function at one or more locations, on terms and conditions to be incorporated in the Distribution Agreement to be entered into between the Distribution Company and the Pension Fund Manager.
- (M) The Pension Fund Manager shall send any other statement or certificate to the Participants which may be necessary under the Rules.
- (N) The Pension Fund Manager shall furnish to the Commission a copy of its annual report and half yearly report, together with copies of the balance sheet, profit and loss account, directors' report and auditors' report within the stipulated terms as specified by the Commission from time to time at the close of its accounting year and of its half year.
- (O) The Pension Fund Manager shall not be under any liability except such liability as may be expressly assumed by it under the Rules and the Trust Deed nor shall the Pension Fund Manager (save as herein otherwise provided) be liable for any act or omission of the Trustee or for anything except its own negligence, reckless or willful breach of duty hereunder. If for any reason it becomes impossible or impracticable to carry out the provisions of the Trust Deed, the Pension Fund Manager shall not be under any liability therefor or thereby and it shall not incur any liability by reason of any error of law or any matter or thing done or suffered or omitted to be done in good faith hereunder.
- (P) The Pension Fund Manager shall provide and replicate all recorded information relating to the Pension Fund to the Trustee and shall arrange the reconciliation of such records with the Trustee on a periodic basis as may be mutually agreed between the two parties or as specified by the Commission.

5.6.2 Restrictions on the Pension Fund Manager

The Pension Fund Manager shall not:

- (A) merge with, acquire or take over management of any other pension fund or pension fund manager unless it has obtained the prior approval of the Commission in writing for such merger, acquisition or takeover;
- (B) pledge any of the securities held or beneficially owned by the Pension Fund except for the benefit of the Pension Fund and with prior approval of the Commission;
- (C) accept deposits from another pension fund;
- (D) make a loan or advance money to any person except in connection with the normal business of the Pension Fund;
- (E) participate in a joint account with others in any transaction;
- (F) apply any part of its assets to real estate; *provided that* the Pension Fund Manager may purchase real estate for its own use out of its own shareholders' fund;

- (G) make any investment with the purpose of having the effect of vesting the management or control in the Pension Fund; or
- (H) employ as a broker, directly or indirectly, any of its directors, officers or employees or a member of a family of such person which shall include spouse, parents, children, brothers and sisters and enter into transactions with any broker who is a Connected Person where such transactions shall equal or exceed ten per cent (10%) or more of the brokerage or commission paid by the Pension Fund in any one Accounting Period; *provided that* the Commission may, in each case on merits, permit the ten percent (10%) limit to be exceeded if the broker who is a Connected Person offers advantages to the Pension Fund not available elsewhere.
- (I) enter into a short sale transaction in any security, whether listed or unlisted.

5.6.3 Retirement or Removal of the Pension Fund Manager

- (A) The Pension Fund Manager may, by giving at least ninety (90) days' prior written notice in writing to the Participants with the prior written approval of the Commission, retire from management of the Pension Fund.
- (B) Where the Pension Fund Manager has given notice in accordance with Clause 5.6.3 (A) above, its retirement shall be effective on the date being not less than ninety (90) days after the date of such notice on which, with the approval in writing of the Commission, it appoints a new pension fund manager to manage the Pension Fund in accordance with the Deed and the Rules.
- (C) The Trustee may, by giving notice in writing to the Pension Fund Manager with the prior approval of the Commission, remove the Pension Fund Manager if any of the following events have occurred:
 - (I) the Pension Fund Manager has contravened the provisions of the Trust Deed in any material respect and has failed to rectify the contravention within (i) thirty days from the date of notice in writing given by the Trustee to the Pension Fund Manager regarding the contravention, such notice to be given under intimation to the Commission, or (ii) such other period as may be specified by the Commission, in respect of the contravention; *provided that* such notice by itself shall not be considered as an admission of contravention on part of the Pension Fund Manager who shall have the right to defend such action;
 - (II) the Pension Fund Manager goes into liquidation (other than voluntary liquidation on terms previously agreed to with the Trustee for the purpose of reconstruction and amalgamation); or
 - (III) a receiver is appointed over any of the assets of the Pension Fund Manager.
- (D) The removal of the Pension Fund Manager from management of the Pension Fund by the Trustee under sub-Clause (C) above shall be effective on the date on which, with the approval in writing of the Commission, the Trustee appoints a new pension fund manager to manage the Pension Fund in accordance with the Trust Deed and the Rules.

- (E) The Commission may, in exercise of its powers under the Rules, remove the Pension Fund Manager from management of the Pension Fund and appoint in its place a new pension fund manager to manage the Pension Fund in accordance with the Trust Deed and the Rules.
- (F) The Commission may, in exercise of its powers under the Rules, cancel the registration of the Pension Fund Manager as a pension fund manager, in which case the Pension Fund Manager, if not already removed from the management of the Pension Fund, shall stand removed from such management upon such cancellation.
- (G) If the Commission has cancelled the registration of the Pension Fund Manager as provided in sub-Clause (F) above, the Commission shall appoint another pension fund manager to manage the Pension Fund in accordance with the Trust Deed and the Rules.
- (H) Upon a new pension fund manager being appointed, the Pension Fund Manager shall take immediate steps to deliver all the documents and records pertaining to the Trust to the new pension fund manager and shall pay all sums due to the Trustee.
- (I) Upon its appointment the new pension fund manager shall exercise all the powers and enjoy all rights and shall be subject to all duties and obligations of the Pension Fund Manager hereunder as fully as though such new pension fund manager had originally been a party hereto.
- (J) If so directed by the Commission, the Pension Fund Manager shall not receive any Contributions from any of the Participants or make any other transaction on account of the Pension Fund as from the date of issue of the notice as referred to in sub-Clause (C) above or as from the date of issue of the Commission's order in writing under Rule 6 of the Rules.
- (K) The Trustee shall ensure that accounts of the Pension Fund till the day of the appointment of the new Pension Fund Manager are audited by the Auditors of the Pension Fund and the audit report is submitted, within one month from the date of such appointment, to the Commission, the Trustee and the new Pension Fund Manager. The Trustee with the approval of the Commission shall decide the cost of such interim audit and the same may be charged to the Pension Fund with the prior approval of the Commission.

5.7 Responsibilities and Obligations of the Trustee

The Trustee of the Pension Fund is:

Central Depository Company of Pakistan Limited
 CDC House, 99-B, Block „B“, S.M.C.H.S,
 Main Shahrah-e-Faisal,
 Karachi – 74400, Pakistan

(Any change in the registered office address of the Trustee shall be notified by the Trustee to the Commission and the Pension Fund Manager.)

CDC's Vision Statement: To be a leading national institution providing quality services to capital and financial markets stimulating economic growth.

CDC's Mission Statement: CDC is committed to provide secured and dependable services to

the capital and financial markets in an efficient and cost-effective manner comparable to best international practices. The Company's aim is to be the centre of excellence by continuously employing the state-of-the-art technology available and best talent in the country while maintaining good corporate governance in its working. It is committed to provide its employees an environment of professional and personal growth.

Brief Profile: Central Depository Company of Pakistan Limited (CDC) 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 manage and operate the Central Depository System (CDS), which is an electronic book entry system to record and transfer securities. It was formed for facilitating efficient, risk free and cost effective settlement of securities in accordance with the international standards to cope up with the ever-rising volume of trading in securities at the Stock Exchanges in Pakistan.

From the year 2002, CDC expanded its business activity to provide trustee/ custodial services to mutual funds industry. Currently, CDC is acting as the trustee for open-end, closed-end mutual funds and Voluntary Pension Funds under management of all the leading asset management companies, investment advisers and voluntary pension fund managers. All trustee related operations of CDC are completely automated and supported by strong and efficient computerized systems and dedicated staff. The Trustee Division has the benefit of CDC's existing structure, as well as that for handling the National Clearing and Settlements System. In a short span of time after introducing its trusteeship business, CDC has emerged as the largest trustee / custodial service provider in Pakistan.

Management: CDC is run purely on professional management basis and most of the Directors on the Board of CDC represent their respective investor institutions, without any personal stake in the company. The chief executive is a highly qualified professional, without any affiliation in any investor institution. Operations of the company are carried out by a team of high caliber professionals from a wide spectrum of relevant disciplines possessing graduate and postgraduate qualifications from distinguished local and international institutions.

5.7.1 Obligations of the Trustee

- (A) The Trustee shall comply with the provisions of the Trust Deed and the Rules when performing any act or matter to be done by it in the performance of its duties and such acts or matters may also be performed on behalf of the Trustee by any officer or responsible official of the Trustee or by any nominee or agent appointed by the Trustee in consultation with the Pension Fund Manager; *provided that* the Trustee shall be responsible for the acts and omissions of all persons to whom it may delegate any of its duties, as if these were its own acts and omissions and shall account to the Pension Fund for any loss in value of the Trust Property where such loss has been caused by act and / or omission of the Trustee or of any of its directors, officers, nominees or agents.
- (B) The Trustee shall exercise all due diligence and vigilance in carrying out its duties and in protecting the interests of the Participants. The Trustee shall not be under any liability on account of anything done or not done by the Trustee in good faith in accordance with or in pursuance of any request of the Pension Fund Manager, *provided that* the Trustee's actions and the Pension Fund Manager's requests are not in conflict with the provisions of the Trust Deed or the Rules. Whenever pursuant to any provision of the Trust Deed any certificate, notice, direction, instruction or other communication is to be given by the Pension Fund Manager to the Trustee, the Trustee may accept as sufficient evidence thereof a document signed or purporting to be signed on behalf of the Pension Fund Manager by any person whose signature the Trustee is for the time being authorized in writing by the Pension Fund Manager to accept.

- (C) The Trustee shall take into its custody or under its control all the Trust Property, including properties of the Sub-Funds and hold the same in trust for the Participants in accordance with the Applicable Law, the Rules and the provisions of the Trust Deed and the cash and registerable assets shall be registered in the name of, or to the order of, the Trustee.
- (D) The Trustee shall be liable for any act or omission of any agent with whom any Investments are deposited as if they were the acts or omissions of any nominee in relation to any Investment.
- (E) The Trustee shall be liable for the act and omission of the lender and its agent in relation to assets forming part of the property of the Pension Fund and, where borrowing is undertaken for the account of the Pension Fund, such assets may be registered in the lender's name or in that of a nominee appointed by the lender.
- (F) The Trustee shall ensure that the issue, redemption and cancellation of Units are carried out in accordance with the provisions of the Trust Deed and the Rules.
- (G) The Trustee shall ensure that the methods adopted by the Pension Fund Manager in calculating the values of the Units of each Sub-Fund are adequate and that the Net Asset Value is calculated in accordance with the provisions of the Trust Deed or as specified by the Commission.
- (H) The Trustee shall carry out the instructions of the Pension Fund Manager in respect of Investments unless they are in conflict with the Investment Policy as prescribed by the Commission, the Trust Deed or as specified in this Offering Document.
- (I) The Trustee shall ensure that the Investment Policy and the borrowing limitations set out in the Trust Deed, the Rules and other conditions under which the Pension Fund was authorized are complied with.
- (J) The Trustee shall issue a report to be included in the annual report to be sent to Participants whether, in the Trustee's opinion, the Pension Fund Manager has in all material respects managed the Pension Fund and the Sub-Funds in accordance with the provisions of the Trust Deed, and if the Pension Fund Manager has not done so, the respects in which it has not done so and the steps which the Trustee has taken in respect thereof.
- (K) The Trustee shall ensure that Units are not allocated until Contributions have been received.
- (L) The Trustee shall, from time to time appoint, remove or replace one or more Custodian(s) as an agent of the Trustee at one or more locations, on terms and conditions to be agreed between the Custodian and the Trustee;
- (M) The Trustee shall make available or ensure that there is made available to the Pension Fund Manager such information as the Pension Fund Manager may reasonably require from time to time in respect of the Trust Property and all other matters relating to the Pension Fund.
- (N) The Trustee shall be entitled to require the Auditors to provide such reports as may be agreed between the Trustee and the Pension Fund Manager and as may be considered necessary to facilitate the Trustee in issuing the certification required under the Rules. The Trustee shall endeavor to provide the certification at the earliest date reasonably possible.
- (O) None of the Trustee, the Custodian (if the Trustee has appointed another person as

Custodian), the Pension Fund Manager or any of their Connected Persons shall sell or purchase or deal in the sale of any Investment or enter into any other transaction with the Pension Fund save in the capacity of an intermediary.

- (P) The Trustee shall promptly provide proxies or other forms of power of attorney to the order of the Pension Fund Manager with regards to any voting rights attaching to any Investments.
- (Q) The Commission may, if it is satisfied that it is necessary and expedient so to do in the interest of the Participants, or in the interest of the capital market and public, by an order in writing, give such directions to the Trustee which are essential to enforce the Rules including but not limited to making arrangements for safe custody of assets of the Pension Fund, submission of reports and disclosure of information.
- (R) The Trustee shall, if requested by Pension Fund Manager and may if it considers necessary for the protection of Trust Property or safeguarding the interest of Participants, institute or defend any suit, proceeding, arbitration or inquiry or any corporate or shareholders' action in respect of the Trust Property or any part thereof, with full powers to sign, swear, verify and submit pleading and affidavits, to file documents, to give evidence, to appoint and remove counsel and to do all incidental acts, things and deeds through the Trustee's authorized directors and officers. All costs, charges and expenses (including legal fees) incurred in instituting or defending any such action shall be borne by the Pension Fund and the Trustee shall be indemnified against all such costs, charges and expenses, *provided that* no such indemnity shall be available in respect of any action taken against the Trustee for negligence or breach of fiduciary duties in connection with its duties as the Trustee under the Trust Deed or the Rules.
- (S) The Trustee shall obtain and maintain replication of all the records of the Participants maintained by the Pension Fund Manager or the Registrar, as the case may be, and shall keep the records updated on fortnightly basis.

5.7.2 Retirement or Change of Trustee

- (A) The Trustee shall not be entitled to retire voluntarily or otherwise except upon the appointment of a new trustee. In the event of the Trustee desiring to retire, the Pension Fund Manager with the prior written approval of the Commission and within a period of three (3) months of the Trustee giving notice of its intention to retire to the Pension Fund Manager shall by a supplementary Trust Deed under the seal of the Pension Fund Manager and the Trustee appoint a new trustee under the provisions of the Rules in place of the retiring Trustee and also provide in such deed for the automatic vesting of all the assets of the Trust in the name of the new trustee. The retirement of the Trustee shall take effect at the same time as the new trustee is appointed and the Supplementary Trust Deed reflecting this appointment is executed. The Trustee shall ensure that accounts of the Pension Fund till the day of the appointment of the new Trustee are audited by the Auditors and the audit report is submitted within one month from the date of such appointment to the Commission, the newly appointed Trustee and the Pension Fund Manager. The Trustee with the approval of the Commission shall decide the cost of such interim audit and the same may be charged to the Pension Fund with the prior approval of the Commission.
- (B) If the Trustee goes into liquidation (otherwise than for the purpose of amalgamation or reconstruction on terms previously agreed to with the Pension Fund Manager) or ceases to carry on business of trusteeship or a receiver of its undertaking is appointed or it becomes ineligible to act as a trustee of the Pension Fund under the provisions of the Rules, the Pension Fund Manager shall forthwith by instrument in writing remove the Trustee from its appointment under the Trust Deed and shall by the same or some other

instrument in writing simultaneously appoint as trustee some other company or corporation according to the provisions of the Rules and the Trust Deed as the new trustee.

- (C) The Commission after giving thirty (30) days notice, may remove the Trustee by order in writing on grounds of any material default or non-compliance with the provisions of the Rules or the Trust Deed, negligence of its duties or incompetence in performing its duties or if the Commission is of the opinion that the Trustee has otherwise neglected or failed to comply with any order or direction of the Commission and considers that it would be in the interest of the Participants so to do; provided that such notice shall not per se be regarded as an admission of contravention on part of the Trustee who shall have the right to defend such notice or action.
- (D) The Pension Fund Manager may also remove the Trustee with the prior approval of the Commission after giving thirty (30) days notice if the Pension Fund Manager feels that the Trustee is charging a remuneration that is not comparable to the market norm and it would be in the interest of the Participants to appoint another trustee. For this purpose, if the Pension Fund Manager, based on a firm quotation or offer received from an alternate institution (qualified to be appointed as trustee of a pension fund) determines that the remuneration being paid to the Trustee is not comparable to the market norm and that for this reason it would be in the interest of the Participants to appoint another trustee on such favorable terms, it will issue a thirty (30) days notice of removal of the Trustee on this ground; provided that after receiving such notice from the Pension Fund Manager, the Trustee shall have the option to continue as trustee of the Pension Fund on such favorable terms offered by the alternate institution or to retire as trustee of the Pension Fund and notify the Pension Fund Manager accordingly. The change of Trustee shall become effective with the Commission's approval once the newly appointed trustee takes charge of all duties and responsibilities.
- (E) Upon the appointment of a new trustee, the Trustee shall immediately deliver all the documents and records to the new trustee and shall transfer all the Trust Property and any amount deposited in any Individual Pension Account held by or for the Trustee under any Approved Income Payment Plan to the new trustee and shall make payments to the new trustee of all sums due from the Trustee.
- (F) The new trustee shall exercise all the powers and enjoy all rights and shall be subject to all duties and obligations of the Trustee hereunder as fully as though such new trustee had originally been a party hereto as trustee of the Pension Fund.
- (G) Notwithstanding the removal or resignation of the Trustee and its subsequent discharge from its duties under the Trust Deed and the Rules, the Trustee shall remain entitled to the benefit of the terms of the Trust Deed till the removal or resignation of the Trustee is effective without prejudice to the Trustee's responsibility or obligation to liquidate any liability for which the Trustee may have become liable under the Trust Deed and / or the Rules.

5.8 Registrar of the Units of the Pension Fund

HBL Asset Management Limited

8B, 8th Floor,
Executive Tower, Dolmen City,
Block IV, Clifton,
Karachi

5.9 Distributors of the Pension Fund

5.9.1 The main distributor of the Pension Fund will be the Pension Fund Manager. The Fund shall also be offered through selected branches of Habib Bank Limited, addresses of which are set out in Annexure "E"

5.9.2 The Pension Fund Manager may from time to time appoint or remove other Distribution Companies for the Pension Fund under intimation to the Commission and the Trustee.

5.10 Auditor of the Pension Fund

5.10.1 The first Auditor of the Pension Fund shall be:

KPMG Taseer Hadi & Co

Karachi Office

First Floor, Sheikh Sultan Trust Building No. 2

Beaumont Road

Karachi 75330

Whose term of office shall expire on the transmission of the first annual report and accounts but may be reappointed as may be specified in the Rules from time to time.

- (A) After the date referred to in Clause 5.10.1 above, the Pension Fund Manager shall, with the consent of the Trustee, appoint as the Auditor a firm of chartered accountants who shall be independent of the auditor of the Pension Fund Manager and the Trustee. The Pension Fund Manager may at any time, with the concurrence of the Trustee, and shall, if required by the Commission, remove the Auditor and appoint another auditor in its place. At all times the Pension Fund Manager shall ensure that the Auditor is appointed from the panel of auditors, if any, prescribed by the Commission for this purpose.
- (B) The Auditor shall hold office until transmission of the annual report and accounts. The Auditor shall be appointed for a term of one year (except the first Auditor whose first term may be shorter than one year), but no Auditor shall be appointed for more than such consecutive terms as specified by the commission from time to time.
- (C) A person who is not qualified to be appointed as auditor of a public company under the terms of Section 254 of the Ordinance shall not be appointed as the Auditor.
- (D) A person who is not qualified to be appointed as auditor under the terms of Sections 254(3) and 254(4) of the Ordinance shall not be appointed as the Auditor. For the purposes of this Clause 5.10.1, references to "company" in those Sections shall be construed as references to the Pension Fund Manager and the Trustee. Section 254(5) of the Ordinance will apply to the Auditor *mutatis mutandis*.

- (E) Appointment of a partnership firm as the Auditor shall be deemed to be the appointment of all persons who are partners in the firm from time to time.
- (F) The Auditor shall have access to the records, books, papers, accounts and vouchers of the Trust, whether kept at the office of the Pension Fund Manager, Trustee, Custodian, Registrar or elsewhere, and shall be entitled to require from the Pension Fund Manager, the Trustee and their directors, officers and agents such information and explanations as considered necessary for the performance of audit.
- (G) The Auditor shall prepare an auditor's report in accordance with the requirements of the Rules and other Applicable Laws for transmission to the Commission and the Participants.
- (H) In case the Rules or other Applicable Laws relating to appointment of auditors of pension funds are amended or substituted, the amended Rules or other Applicable Laws, as the case may be, shall be deemed to become part of the Trust Deed without the need to execute a Supplementary Trust Deed.
- (I) The Commission shall monitor general financial condition of the Pension Fund, and, at its discretion, may order special audit and appoint an auditor who shall not be the external auditor of the Pension Fund, to carry out detailed scrutiny of the affairs of the Pension Fund, provided that the Commission may, during the course of the scrutiny, pass such interim orders and give directions as it may deem appropriate. On receipt of the special audit report, the Commission may direct the Pension Fund Manager to do or to abstain from doing certain acts and issue directives for immediate compliance which shall be complied forthwith or take such other action as the Commission may deem fit.

5.11 Legal advisor

5.11.1 The first legal advisor of the Pension Fund shall be:

Mandviwalla & Zafar
Mandviwalla Chambers, C15,
Block 2, Clifton,
Karachi
Pakistan

5.11.2 The Pension Fund Manager may replace the legal advisor or appoint a new legal advisor to a vacancy created by the resignation or removal of the legal advisor. The particulars of the new legal advisor shall be deemed to become part of the Trust Deed and the Offering Document without the need to execute a Supplementary Trust Deed or Offering Document.

5.12 Bankers

- 5.12.1 The Bankers of the Pension Fund shall be Habib Bank Limited. As when required, the Pension Fund Manager on behalf of HBL IPF may enter into arrangements with other banks.
- 5.12.2 The Pension Fund Manager may from time to time, remove or appoint additional bankers as and when it deems appropriate.

5.13 Shariah Advisors

- 5.13.1 The Pension Fund Manager has appointed Mufti Yahya Asim as Shariah Advisors to the Pension Fund.
- 5.13.2 All activities of the Pension Fund shall be undertaken in accordance with the Islamic Shariah as per the guidelines given by the Shariah Advisors.
- 5.13.3 The Shariah Advisor shall prescribe screening criteria and guidelines for determining Shariah compatibility of Investments made/ to be made by the Pension Fund.
- 5.13.4 The Shariah Advisor shall also determine Shariah non compliant (Haram) income that may have been earned by the Pension Fund during any period of review. This income would be given out in Charity to purify the remaining income of the Pension Fund. List of charities to which the Pension Fund Manager will pay the Haram Income will be decided in consultation with the Shariah Advisor. The Shariah Advisor shall also advise on the procedure of disbursement of this charity income in line with the Guidelines issued by the commission from time to time.

6. CHARACTERISTICS OF THE PENSION FUND

6.1 Eligible Persons

- 6.1.1 All individuals fulfilling the eligibility criteria prescribed by the Commission under the Rules shall be eligible to contribute to the Pension Fund authorized under the Rules.
- 6.1.2 As per clause 6.1.1 above, "all Pakistani nationals who have a valid National Tax Number (NTN) or Computerized National Identity Card (CNIC) and National Identity Card for Overseas Pakistanis (NICOP), issued by the National Database and Registration Authority (NADRA) shall be eligible to contribute to the Pension Fund.
- 6.1.3 Each Eligible Person who opens an Individual Pension Account with the Pension Fund Manager may make Contributions to the Pension Fund, directly as well as through employers of such Eligible Person.
- 6.1.4 Participants having pension policies approved by the Commission under Section 63 of the Income Tax Ordinance, 2001 (XLIX of 2001) and issued by Life Insurance/Takaful Companies before 30 June, 2005 are eligible to redeem their units and transfer the

balance to their Individual Pension Account, subject to the Rules.

6.1.5 Accumulated balance from Approved Employment Pension or Annuity Scheme or Approved Occupational Savings Scheme (i.e. approved gratuity fund or recognized provident fund) can be transferred to the Pension Fund.

6.1.6 The eligibility criteria may be reviewed by the Commission from time to time.

6.2 Application Procedure for Opening Individual Pension Accounts

6.2.1 The Pension Fund Manager shall be responsible for obtaining all Approvals required in connection with the Pension Fund.

6.2.2 Participation in the Pension Fund shall be offered through Authorized Branches. The Pension Fund Manager shall act as the main Distribution Company.

6.2.3 Forms for the purposes of the Pension Fund may be obtained from the Pension Fund Manager or any of its authorized Distributors and Sales Agents or can be downloaded from the website of the Pension Fund Manager or may be requested from the Pension Fund Manager through courier or through electronic means and only such forms may be used by Participants, proposed Participants and other persons in relation to the Pension Fund. Forms for opening of Individual Pension Accounts are also attached hereto as Annexure "F" titled "Registration Form".

6.2.4 Prescribed Application Forms duly completed in all respects, along with the required attachments can be lodged with any Distributor, Investment Facilitator/Sales Agent or directly with the Pension Fund Manager. No other person is authorized to accept the Prescribed Application Forms or payments.

6.2.5 The Pension Fund Manager shall make arrangements, from time to time, for receiving the completed Prescribed Application Forms and Contributions from or on behalf of Eligible Persons and Participants located outside Pakistan and will disclose these arrangements through its website and its Distributors and agents outside Pakistan.

6.2.6 For an Eligible Person to join the Pension Fund as a Participant, they must open an Individual Pension Account with the Pension Fund Manager using the Prescribed "Registration Form". Only Eligible Persons may apply to join the Pension Fund as Participants.

6.2.7 Application for opening an Individual Pension Account shall be made by completing the Prescribed Application Form mentioned in Clause 6.2.6 above, and submitting it together with the first Contribution payment through by cheque, bank draft, pay order (crossed account payee only), online transfers (only for HBL A/C Holders) or as may be prescribed

by the Pension Fund Manager, in favor of the Trustee titled “**CDC – Trustee HBL Islamic Pension Fund**” at any Authorized Branch of any Distribution Company or directly lodging the completed form together with such payment with the Pension Fund Manager (for the avoidance of doubt, it is clarified that no other person (including Sales Agents) shall be authorized to accept on behalf of the Pension Fund Manager any Prescribed Application Forms or any Contributions or any other payment to the Pension Fund Manager or the Pension Fund). The Distribution Company shall ensure that the submitted application is complete in every regard and shall verify that the applicant is an Eligible Person and that the signature of the applicant to any document required to be signed by him under or in connection with the application matches with the applicant’s signature as per the applicant’s Computerized National Identity Card (“**CNIC**”) or National Identity Card for Overseas Pakistanis (“**NICOP**”). **No Contribution should be made in the form of cash or any bearer instrument.**

6.2.8 The Prescribed Application Form shall not be considered to be duly completed if there is not attached to it a photocopy of each of the following, verified to the satisfaction of the Pension Fund Manager:

- (a) the CNIC or NICOP of the proposed Participant;
- (b) proof of business or employment of the proposed Participant;
- (c) such other documentary requirements as are noted in the Prescribed Application Form.

6.2.9 If after receipt of the application by the Distributor, but prior to issue of the Units, the application is found by the Pension Fund Manager, Registrar or the Distributor to be incomplete or incorrect in any material respect, the Pension Fund Manager, Registrar or the Distributor shall advise the applicant Eligible Person in writing to remove the discrepancy whereupon the application shall not be acted upon by the Pension Fund Manager, and in the event the discrepancy is not removed within fifteen (15) days after such advice is given, the amount received together with the application shall promptly be refunded without any accrued interest or mark-up. Applicants shall indicate their Individual Pension Account Number allocated to them by the Pension Fund Manager when making each payment of Contribution except when making payment of the first Contribution.

6.2.10 Each applicant shall obtain a receipt signed and stamped by an authorized officer of the Distributor acknowledging the receipt of the application, copies of other documents prescribed therein and the demand-draft, pay-order, cheque or deposit slip, as the case may be, submitted together with the application. Such receipt for applications and payment instruments (other than cash) shall only be validly issued by the Distributors.

6.2.11 If an application received pursuant to this Clause 6.2 is found by the Pension Fund Manager, Registrar or the Distributor to be complete and correct in all material respects, the Pension Fund Manager, Registrar or the Distributor shall advise the applicant in

writing of the opening of the applicant's Individual Pension Account with the Pension Fund Manager and shall also advise the applicant the number of such account.

- 6.2.12 If an employer decides to contribute on behalf of a Participant, the employer must register with the Pension Fund Manager by filing and submitting the required form entitled 'Employer and 3rd Party Contribution Form' as attached in Annexure "G" hereto.
- 6.2.13 The Pension Fund Manager may make arrangements to accept applications for opening Individual Pension account through electronic means upon satisfaction of the Trustee, subject to the conditions of Customer Due Diligence (CDD) / Know Your Customer Policy (KYC), specified by the Commission through notifications / circulars / rules / regulations , etc.
- 6.2.14 The application procedure described in Clauses 6.2.1 to 6.2.13 may be altered by the Pension Fund Manager from time to time with the approval of the Commission and the Trustee. Such alterations shall be announced through Supplementary Offering Documents issued by the Pension Fund Manager from time to time and shall be deemed to correspondingly alter the provisions of Clauses 6.2.1 to 6.2.13 without the need to execute a Supplementary Trust Deed.

6.3 Contribution procedures

- 6.3.1 The minimum contribution to the Pension Fund shall be as defined in Clause 6.4 here under and the Pension Fund Manager may from time to time change such minimum amount through announcement on its website with the prior approval of the Commission.
- 6.3.2 Subject to Clause, 6.3.1, a Participant or their employer, if any, may make Contributions in one lump sum or in installments during any Tax Year.
- 6.3.3 The Pension Fund Manager shall directly or through the Registrar send an acknowledgement of receipt of each Contribution along with an Account Statement to the Participant within one week of the receipt of the Contribution. Each Account Statement shall constitute evidence of the number of Sub-Fund Units purchased by a Participant as per his selected Allocation Scheme and shall contain such information as prescribed by the Commission from time to time.
- 6.3.4 The Pension Fund may be marketed in conjunction with group life or other insurance/Takaful schemes or any other scheme, subject to approval of the Commission. Such supplementary schemes shall not be compulsory for all the Participants to join, and the Trustee shall on the instruction of Pension Fund Manager deduct any premia payable in respect of such schemes from the Contributions of those Participants who have opted to join such schemes. The premia in respect of such schemes deducted by the Trustee from the Contributions of any Participant shall be paid by the Trustee on the instruction of the Pension Fund Manager to the relevant companies issuing such schemes for account

of the Participant and only the net amount of Contributions received after deduction of such premia and any bank charges shall form part of the Trust Property. Details of the Insurance/Takaful Coverage are provided in Clause 6.19.

6.3.5 Participants, or, on their behalf, their employers can deposit Contributions to the Pension Fund subsequent to the first Contribution into the account of “**CDC - Trustee HBL Islamic Pension Fund**” in the following manner:

- 1) through direct bank transfer.
- 2) through standing instructions given by the Participants or their employers to their bank for regular transfer of Contributions.
- 3) in the form of “Account Payee Only” crossed cheques, payment orders or demand drafts, or
- 4) through any other electronic form of transfer, as specified by the Pension Fund Manager from time to time

Payment in cash will not be accepted.

The Participant or the employer making Contribution on behalf of the Participant, or a group of Participants shall provide full details of the contributions to the Pension Fund Manager at the following address:

HBL Asset Management Limited – Investor Services Department
8B, 8th Floor,
Executive Tower, Dolmen City,
Block IV, Clifton,
Karachi

6.3.6 In respect of each Contribution subsequent to the first Contribution made by the Participants or by their employers making the subsequent Contribution on behalf of the Participants or a group of Participants, the person making payment of such subsequent Contribution must duly complete a Subsequent Contribution Form attached hereto as Annexure “H”, titled “Pension Contribution Slip”, indicating therein the relevant Participant’s Individual Pension Account Number and the details of the Contribution, and, attaching the relevant payment instrument along with the completed form, should submit it at the Authorized Branch or office of the Distribution Companies.

6.3.7 The Pension Fund Manager, directly or through the Registrar, shall send an acknowledgement of receipt of each Contribution, along with the Account Statement, to the Participant, within one week of the receipt thereof.

6.3.8 The Pension Fund Manager may make arrangements to accept contributions through electronic means upon satisfaction of the Trustee.

- 6.3.9 Any alterations to the contribution procedure and minimum investment amounts as enunciated in Clauses 6.3.1 to 6.3.8 and Clause 6.4, arising out of amendments to or substitutions of the Rules and/or the Income Tax Ordinance, 2001 and/or the Income Tax Rules shall be announced by the Pension Fund Manager from time to time on its website and such alternations shall be deemed to correspondingly alter the provisions of Clauses 6.3.1 to 6.3.8 and Clause 6.4, without the need for executing a Supplementary Trust Deed or Supplementary Offering Document.

6.4 *Minimum Investment Amounts*

- 6.4.1 The minimum amount of Contribution to open an Individual Pension Account is Pakistan Rupees Five Hundred (Rs. 500) and the minimum amount for adding to an existing account is Pakistan Rupees Five Hundred (Rs. 500) per transaction. There will be no penalties on delayed payments. The Pension Fund Manager, may from time to time change such minimum amount through announcement on its website with the prior approval of the Commission.
- 6.4.2 There is no maximum limit of Contributions to the Pension Fund. Participants can contribute any amount in one lump sum or in installments. However, tax credits will be available to the Participants up to a maximum allowable amount of contribution within any financial year according to the Income Tax Ordinance, 2001 (XLIX of 2001).

6.5 *Options and Procedures in case of Cessation, Temporary or Permanent, of Contributions by the Participants*

- 6.5.1 The Pension Fund Manager shall allow the Participants or their employers, if any, to pay the desired contribution into the Pension Fund in one lump sum or in installments during any fiscal year. However, Participants and their employers (as the case may be) have tax advantages on the contributions during any Tax Year, subject to the limits prescribed under the Income Tax Ordinance, 2001 (XLIX OF 2001), the details of which are given in Clause 12 of this Offering Document.
- 6.5.2 There will be no penalties on delayed payments or temporary or permanent cessation of Contributions, Participants may continue the payments at any time till their retirement.

6.6 *Sub-Funds and Asset Allocation Schemes of the Pension Fund*

- 6.6.1 The Pension Fund shall initially consist of three Sub-Funds, to be called "**HBL IPF Equity Sub-Fund**" (the "**Equity Sub-Fund**"), "**HBL IPF Debt Sub-Fund**" (the "**Debt Sub-Fund**") and "**HBL IPF Money Market Sub-Fund**" (the "**Money Market Sub-Fund**") (collectively

the “**Sub-Funds**”).

- 6.6.2 The Pension Fund Manager, after successfully managing the Equity, Debt and Money Market Sub-Funds, may, with the permission of the Commission, launch additional Sub-Funds through a supplemental Trust Deed and a Supplemental Offering Document for the purpose of investments in classes of assets different from those in existing Sub-Funds (for avoidance of doubt, additional Sub-Funds may include combinations of new and existing classes of assets)..
- 6.6.3 Each Sub-Fund is divided into Units having an initial par value of Pakistan Rupees One Hundred (Rs. 100) per Unit. This price is applicable to the Seed Capital Units only, the amount of which shall be equally allocated to each of the Sub-Funds. All Units of the Pension Fund other than the Seed Capital Units will be issued and redeemed on the basis of the Net Asset Value, which shall be notified by the Pension Fund Manager at the close of each Business Day.
- 6.6.4 Units held by a Participant shall be non-tradable and non-transferable to another Participant / person except in the circumstances provided in the Rules.
- 6.6.5 Each Participant shall only be liable to pay the Net Asset Value of the Units of the Sub-Funds subscribed by him and no further liability shall be imposed on him in respect of any Sub-Fund’s Units held by him. Units shall be issued only against receipt by the Trustee of full payment therefor.
- 6.6.6 The Rules require the Pension Fund Manager to offer at least four (4) Asset Allocation Schemes for the Participants to choose from.
- 6.6.7 HBL AMC is currently offering five (5) different Asset Allocation Schemes to the Participants.

Policies and features of the Schemes are as follows:

Allocation Scheme	Equity Sub-Fund	Debt Sub- Fund	Money Market Sub-Fund
High Volatility	Min 65%	Min 20%	Nil
Medium Volatility	Min 35%	Min 40%	Min 10%
Low Volatility	Min 10%	Min 60%	Min 15%
Lower Volatility	Nil	Min 40%	Min 40%
Life Cycle Allocation	Starting with a higher equity investment allocation for an individual aged 18 years, the equity allocation is gradually reduced and transferred to Debt and Money Market Funds as an individual reaches the age 60 years.		

Note: Volatility here means the downwards or upwards change in Principal amount invested owing to change in price of the securities in the portfolio of a sub-fund.

6.6.8 Descriptions of the Asset Allocation Schemes:

(A) High Volatility Asset Allocation Scheme

This scheme shall allocate a major portion of the Contribution to the Equity Sub-Fund; the remaining portion will go to the Debt Sub-Fund, while there will be no

allocation to the Money Market Sub-Fund.

The scheme is therefore suitable for investors with a high risk tolerance and preference for equity exposure

(B) Medium Volatility Asset Allocation Scheme

This scheme shall seek to allocate a major portion of the Contributions to the Equity Sub-Fund and Debt Sub-Fund and the remaining portion will be allocated to the Money Market Fund.

This schemes aims to strike a balance between investments in equities and debt, thereby mitigating risk for the Participants.

(C) Low Volatility Asset Allocation Scheme

This scheme shall allocate a major portion of the Contribution to the Debt Sub-Fund and the remaining portion will be allocated between the Equity Sub-Fund and Money Market Sub-Fund.

By placing a major portion of the funds in the Debt Sub-Fund, this scheme offers a low risk and low return avenue to Participants. It is therefore appropriate for individuals who are relatively risk averse in nature and prefer safer investments.

(D) Lower Volatility Asset Allocation Scheme

This scheme shall not allocate any portion of the Contribution to the Equity Sub-Fund. The entire contribution will be allocated between the Debt Sub-Fund and the Money Market Sub-Fund.

This scheme takes no exposure to equities, which are considered risky securities. By investing only in debt and money market instruments, this scheme is the least risky amongst the approved four schemes, prescribed by the Commission.

(E) Life Cycle Asset Allocation Scheme

This scheme shall start with a higher initial equity allocation for an individual aged 18. Throughout his Life Cycle, the equity allocation is gradually reduced and transferred to Debt and Money Market sub-Funds as the individual reach the age of retirement. This removes the need for the investor to continually change their plan according to their changing risks and requirements as he ages.

The Following table provides an Allocation of the 'Life Cycle Allocation Scheme within each underlying Sub-funds.'

Plan	Life Cycle Allocation Scheme		
	Equity Sub-Fund	Debt Sub-Fund	Money Market Sub-Fund
18 – 30 years	75 %	20 %	5 %
31 – 40 years	70 %	25 %	5 %

41 – 50 years	60 %	30 %	10 %
51 – 60 years	50 %	30 %	20 %
61 years and above	Nil	50 %	50 %

Equity allocation shall be gradually reduced year-wise from 50% to 0% between the age of 51 and 60 years.

6.6.9 The Pension Fund may provide additional asset allocation schemes, subject to approval of the Commission.

6.6.10 Up to two (2) additional schemes may be approved in the first five (5) years.

6.7 Allocation among the Sub-Funds

6.7.1 Each Participant of the Pension Fund will in turn be the holder of Units of the Sub-Funds in proportions determined in accordance with the Allocation Scheme selected by the Participant as per Clause 6.6 or, in the absence of selection by the Participant, the Default Allocation Scheme selected for the Participant by the Pension Fund Manager in accordance with Clause 6.8.5 or, in certain conditions prescribed under the Rules, of cash held in an appropriate Bank Account in the name of the Trustee.

6.7.2 The Pension Fund Manager shall manage the equity allocation within the prescribed limits of the scheme using various investment management tools. Increase or decrease in allocation to the Debt Sub-Fund (normally higher-yielding than money market investments) in preference to the Money-Market Sub-Fund (normally lower risk and lower return investments) will be based on the then prevailing interest rates and inflations rates.

6.7.3 The Pension Fund Manager will make reallocation of the Sub-Fund Units between the Sub-Funds at least once a year to ensure that the allocations of Sub-Fund Units of all the Participants are according to the selected allocation scheme of the Participants.

6.7.4 All Participants of the Pension Fund will, in turn, be holders of Units of the Sub-Funds in various proportions or, in certain conditions, of cash held in an appropriate bank account in the name of the Trustee.

6.8 Allocation Policy

6.8.1 A Participant has the option to select any Allocation Scheme in relation to his Contributions and shall make such selection at the date of opening his Individual Pension Account. A Participant may change any Allocation Scheme selected by him in relation to his Contributions to a different Allocation Scheme selected by him by sending written notice of the change to the Pension Fund Manager.

6.8.2 The number of Units of any Sub-Fund purchased out of Contributions made by any Participant shall be determined in accordance with the Allocation Scheme selected by the Participant.

- 6.8.3 The Pension Fund Manager may assist a Participant in the selection of a suitable Allocation Scheme but the final decision and responsibility as to which Allocation Scheme to choose shall lie with the Participant.
- 6.8.4 The Pension Fund Manager or the Registrar shall ensure a built-in mechanism to facilitate the changes in asset allocation automatically between the Sub-Funds within the limits of the Prescribed Allocation Policy as and when required by the Pension Fund Manager.
- 6.8.5 If any Participant fails to select an Allocation Scheme at the date of opening his Individual Pension Account, the Pension Fund Manager shall allocate Contributions of the Participant to the Default Allocation Scheme, which shall be Life Cycle Asset Allocation Scheme, specified in Clause 6.6.8 (E).
- 6.8.6 The Default Allocation Scheme mentioned in sub-clause 6.8.5 above, shall then be deemed to be a Participant's selected Allocation Scheme in the event that the Participant fails to select an Allocation Scheme at the date of opening his Individual Pension Account
- 6.8.7 The Pension Fund Manager shall make re-allocation of the Sub-Fund Units between the Sub-Funds at least once a year to ensure that allocations of Sub-Fund Units of all the Participants are according to the Allocation Schemes selected or deemed to be selected by the Participants.
- 6.8.8 An Individual Pension Account shall not be subject to any lien, pledge, encumbrance or attachment in the execution of a decree, nor shall it be chargeable or assignable; and any agreement to charge or assign an allowance shall be void, and no sum shall pass to any trustee or person acting on behalf of a Participant's creditors in the event of his bankruptcy.
- 6.8.9 Each Participant shall provide an undertaking when establishing their Individual Pension Account or when selecting or deemed to be selecting an Allocation Scheme that they have no objection to the Investment Policy and the Approved Allocation Policy and that they are fully aware of the risks associated with the Allocation Scheme selected by them.
- 6.8.10 The criteria of allocations may be subject to changes and modifications from time to time in accordance with the changes in the Investment Policy and the Prescribed Allocation Policy. All such changes shall be announced through Supplementary Offering Documents.

6.9 Details of Individual Pension Account

- 6.9.1 The Pension Fund Manager shall assign a unique Customer ID to the Individual Pension Account of each Participant. Such unique Individual Pension Account number shall be issued in line with the criteria prescribed by the Commission and the participants shall quote this number in all their communications with the Pension Fund Manager and while making Contributions.
- 6.9.2 The Pension Fund Manager shall also assign a unique serial number generated by the system to each Individual Pension Account. This will be called the Registration Number. The Participants may also quote this number in all their communications with the Pension Fund Manager and while making Contributions.

- 6.9.3 Contributions received from or on behalf of any Participant by Trustee in cleared funds on any Business Day shall be credited to the Individual Pension Account of the Participant after deducting the Front-end Fees, any premia payable in respect of any schemes selected by the Participant pursuant to Clause 6.3.5 and any bank charges in respect of the receipt of such Contributions. The net Contribution received in the Individual Pension Account shall be used to allocate such number of Units of the relevant Sub-Funds in accordance with the Allocation Policy selected by the Participant and the Units shall be allocated at Net Asset Value notified by the Pension Fund Manager at the close of that Business Day.
- 6.9.4 Contributions shall not be treated as having been received from or on behalf of any Participant unless they are received by the Trustee in cleared funds and only the amount received in cleared funds shall be treated as the Contribution received.
- 6.9.5 If any Contribution is received from or on behalf of any Participant by the Distributor in cleared funds on a day which is not a Business Day, it will be treated as having been received on the first following Business Day.

6.10 Frequency of Valuations and Dealings

- 6.10.1 The valuation of the Sub-Fund Units shall be carried out on each Business Day.
- 6.10.2 The valuation shall be conducted as at the close of all Business Days.
- 6.10.3 Contributions from Participants and requests for withdrawals and transfer to other pension fund manager will be received on all Business Days.
- 6.10.4 The Dealing Days shall be all Business Days from Mondays to Saturdays every week, or as notified otherwise by the Pension Fund Manager from time to time and made available on the website of the Pension Fund Manager. The business hours shall be from 9 am to 3 pm on Mondays to Fridays, and 9 am to 12 pm on Saturdays or as notified by the Pension Fund Manager, from time to time and made available on the website of the Pension Fund Manager.
- 6.10.5 The Net Asset Value of each Sub-Fund means the excess of assets over liabilities of the Sub-Fund, divided by the number of Units outstanding of the respective Sub-Funds, such excess being computed in the manner as specified in the Rules, from time to time. Such sum shall be rounded off to the nearest four decimal places.

6.11 Mode of Announcement of Net Asset Values

- 6.11.1 The Net Asset Value of Units determined by the Pension Fund Manager shall be made available to the public at Authorized Branches. The Pension Fund Manager shall arrange to publish the Net Asset Value in a leading newspaper(s) and shall also make it available on its website.
- 6.11.2 Any sum or Unit price computed under this Offering Document shall be adjusted to the nearest four decimal places..

6.12 Payment of Proceeds on Withdrawals and Transfers

- 6.12.1 Payment of proceeds on withdrawals and transfers shall be determined as per the Rules and the Income Tax Ordinance, 2001.
- 6.12.2 The Trustee shall, at any time during the life of the Pension Fund, authorize withdrawal from the Individual Pension Account through redemption of Units of Sub-Funds through the authorized Distribution Companies of the Fund.
- 6.12.3 The amount payable on withdrawal shall be paid to the Participant or, in accordance with the Trust Deed, to his nominated survivors, executors, administrators or successors by crossed cheque, pay order or transfer to their designated banker or Life Insurance/Takaful Company, as the case may be, not later than the sixth (6th) Business Day from the date of presentation of the duly completed "Withdrawal and Transfer Form" at any Authorized Branch as provided hereto in Annexure "I". The Pension Fund Manager shall ensure that adequate records in respect of the reason for any payment made are maintained. At the written request of the Participant, the Pension Fund Manager may at its discretion (but shall not be bound) advise the Trustee to pay proceeds through some other mode of payment (other than cash).
- 6.12.4 On receiving the withdrawal application form mentioned in sub Clause 6.12.3 above, complete in all respects, the Pension Fund Manager will redeem the required Units of the Sub-Funds equal to the requested withdrawal amount at the Net Asset Value prevailing on the close of the Business Day on which the request was received.
- 6.12.5 In the event of death or having reached retirement, the Pension Fund Manager shall automatically redeem all the Units from the Sub-Funds of the respective Participant on the close of the Business Day at which the date of retirement falls or death of a Participant has been confirmed. The proceeds of Units redeemed will be credited to the Participant's Individual Pension Account. The Participants or their nominated survivors, executors, administrators, or successors, as the case may be, shall be entitled to withdraw amounts from the Pension Fund in accordance with the provisions of the Trust Deed, the Rules and any circulars and notices.
- 6.12.6 The Participants of the Pension Fund shall be entitled to transfer their Individual Pension Accounts from the Pension Fund to another pension fund managed by another pension fund manager.

- 6.12.7 Participants may make transfer requests by filling in the “Withdrawal and Transfer Form” provided hereto as Annexure “I” and submitting the same with any authorized Distributor or designated offices of The Pension Fund Manager at least thirty 30 days before any anniversary date of opening of the Individual Pension Accounts or as specified in the Rules.
- 6.12.8 On receiving a transfer request application mentioned in Clause 6.12.7 above, complete in all respects, the Pension Fund Manager shall redeem all Units of the Sub-Funds in the Individual Pension Account of the respective Participant at the close of the first Business Day that falls on or after the anniversary of the opening of the Individual Pension Account and shall transfer the requisite encashed/ redeemed amount to the requested pension fund manager.
- 6.12.9 For the purposes of purchasing (issuance) and redeeming (encashment) of Units of the respective Sub Fund, the Pension Fund Manager shall announce the Net Asset Value of each Sub-Fund at the close of each Dealing Day.
- 6.12.10 The Distribution Companies, Pension Fund Manager and Registrar shall verify the particulars given in the applications for withdrawals and transfers.
- 6.12.11 In the event that any withdrawal request or request to transfer the whole or any part of a Participant’s Individual Pension Account is incomplete in any respect, the Pension Fund Manager or the Registrar shall inform the Participant of the discrepancies within one week of the receipt of the request. The payment shall not be made unless all discrepancies have been removed.
- 6.12.12 In the event requests for transfer or withdrawal from the Pension Fund would result in redemption of Units on any day in excess of ten per cent (10%) of the issued Units of any Sub-Fund, the transfer or withdrawal requests so in excess may be deferred in accordance with the procedure set out in Clause 6.17 of this Offering Document.
- 6.12.13 The receipt of a Participant or, in accordance with the Trust Deed, of his nominated survivors, executors, administrators or successors, or banking documents showing transfer to the Participant or, in accordance with the Trust Deed, to his nominated survivors, executors, administrators or successors, or in accordance with their instructions to any designated banker, Life Insurance/Takaful Company or another pension fund, as the case may be, or proof of issue of a cheque and its mail to the Participant’s or, in accordance with the Trust Deed, to his nominated survivors’, executors’, administrators’ or successors’ address for or of any moneys payable in respect of the Participant’s Individual Pension Account shall be a good discharge to the Trustee and the Pension Fund Manager in respect of such moneys.
- 6.12.14 The Pension Fund Manager will make arrangements, from time to time, for receiving withdrawal forms from outside Pakistan and payment of withdrawal amounts outside Pakistan, and will disclose these arrangements through its website and its Distributors and agents outside Pakistan.
- 6.12.15 The method for payment of proceeds given in 6.12.1 to 6.12.12 shall be subject to change due to any changes prescribed by the Commission under the Rules and such changes shall be deemed to become part of the Trust Deed and the Offering Document without the need to execute any Supplementary Offering Document.
- 6.12.16 The Pension Fund Manager may borrow from any Commercial Bank, as per clause 5.12;

with the consent of the Trustee for meeting withdrawal requests or transfer of funds to other Pension Fund Managers and such borrowing shall not exceed limits provided in the Rules.

6.13 Withholding Tax

6.13.1 The Trustee on the advice of the Pension Fund Manager shall withhold any tax or tax penalty from payments to the Participants or, in accordance with the Trust Deed and the Offering Document, to their nominated survivors, executors, administrators or successors, as the case may be, applicable under the Income Tax Ordinance, 2001 (Ordinance No.XLIX of 2001) and shall deposit the same in the Government treasury.

6.14 Suspension of Fresh Issue of Units

6.14.1 The Pension Fund Manager may under circumstances mentioned in Clause 6.16, subject to the Rules and under intimation to the Trustee, suspend acceptance of all or any class of Contributions and suspend the issue of fresh Units in relation to such Contributions; *provided that* any such suspension shall not affect the making of Contributions by the existing Participants. The Pension Fund Manager shall immediately notify the Commission if dealing in Units as provided in this Clause is suspended and shall also have that fact published, immediately following such decision, in the newspaper in which the Net Asset Values of the Units affected by any suspension of Contributions are normally published.

6.15 Refusal to Accept Contributions

The Pension Fund Manager or the Distribution Company may at any time refuse to accept any Contribution in any of the following cases:

- (a) in case the Contribution is contrary to the Know-Your-Customer (KYC) rules or policy of the Pension Fund Manager or any other Applicable Laws relating to money laundering that the Pension Fund may be subject to or any rules relating to money laundering that the Pension Fund Manager may frame for self regulation;
- (b) in case the Contribution is made by an applicant who has not provided a valid CNIC or NICOP number;
- (c) in case the Contribution is contrary to the Applicable Laws of the foreign jurisdiction that the Pension Fund or the Participant or prospective Participant may be subject to or if accepting the Contribution may subject the Pension Fund or the Pension Fund Manager to additional regulations under the foreign jurisdiction;
- (d) if accepting the Contribution would in any case be contrary to the interests of the Pension Fund Manager or the Pension Fund or the Participants; and
- (e) if advised by the Commission to do so.

6.16 Circumstances of Suspension and Deferral of Dealings

- 6.16.1 Units of the Sub-Funds may be redeemed through withdrawals and transfers, only for the purposes set out in the Trust Deed and this Offering Document.
- 6.16.2 Subject to Clause 6.16.1, the redemption of any Units of all or any of the Sub-Funds may be suspended or deferred by the Pension Fund Manager:
- (A) during extraordinary circumstances, including war (declared or otherwise), natural disasters, a major breakdown in law and order, breakdown of the communication system, closure of one or more Stock Exchanges on which any of the securities invested in by the Pension Fund are listed, closure of the banking system or strikes or other events that render the Pension Fund Manager or the Distributors unable to function, the existence of a state of affairs which in the opinion of the Pension Fund Manager 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 Pension Fund or of the Participants, a break down in the means of communication normally employed in determining the price of any Investment, remittance of money cannot be carried out within a reasonable time or if the Pension Fund Manager is of the view that it would be detrimental to the remaining Participants to redeem Units at a price determined in accordance with the Net Asset Value; or
 - (B) execution of redemption of Units on any Business Day would result in more than ten percent (10%) of the issued Units of any Sub-Fund being redeemed; *provided that* any suspension or deferral of redemption of Units shall not affect any Approved Income Payment Plans.
- 6.16.3 Any decision by the Pension Fund Manager for the suspension or deferral of redemption of Units under Clause 6.16.2(A) shall be taken to protect the interest of the Participants.
- 6.16.4 Subject to Clause 6.18, in the event of suspension or deferral of redemption of Units under Clause 6.16.2(B), the redemption of Units affected by the suspension or deferral shall be processed in accordance with the queue system described in Clause 6.17.
- 6.16.5 Any suspension or deferral of redemption of Units or any processing of Units in accordance with the queue system described in Clause 6.17 shall end on the day on which the conditions giving rise to the suspension or deferral shall in the opinion of the Pension Fund Manager have ceased to exist and no other condition under which suspension or deferral of Units is authorized under the Trust Deed or the Offering Document exists or, if such day is not a Business Day, on the first Business Day after such day.

6.16.6 Any suspension or deferral of redemption of Units or processing of Units in accordance with the queue system described in Clause 6.17 or any termination thereof under Clause 6.16.5 shall immediately be notified by the Pension Fund Manager to the Commission and published by the Pension Fund Manager in at least one daily newspaper circulating in each of Karachi, Lahore and Islamabad.

6.17 Queue system

If the Pension Fund Manager suspends or defers the redemption of Units of any Sub-Fund pursuant to Clause 6.16.2(B), the Pension Fund Manager shall invoke a queue system whereby redemptions initiated for the affected Units shall be processed on a first-come-first-served basis for such of the affected Units as do not exceed ten per cent (10%) of the issued Units of the relevant Sub-Fund. Where it is not practical to determine the chronological ranking of any initiated redemptions in comparison to other redemptions initiated on the same Business Day, such initiated redemptions shall be processed on a proportional basis proportionate to the size of each initiated redemption. Redemptions of Units in excess of 10% of the issued Units of the relevant Sub-Fund shall be treated as initiated on the next Business Day; *provided that* if the carried over redemptions or the carried over redemptions together with the fresh redemptions initiated on such next Business Day together exceed ten per cent (10%) of the issued Units of the relevant Sub-Fund, such redemptions shall once again be processed on a first-come-first-served basis and the process for redeeming Units as described in this Clause 6.17 shall be repeated and shall continue till such time the outstanding initiated redemptions come down to a level below ten percent (10%) of the then issued Units of the relevant Sub-Fund.

6.18 De-authorization and winding up of the Pension Fund

6.18.1 The duration of the Pension Fund shall be perpetual and it shall not be wound up by way of liquidation.

6.18.2 If the Pension Fund Manager does not wish to maintain the authorization of the Pension Fund, it shall apply to the Commission to de-authorize the Pension Fund by giving at least three (3) months notice in writing to the Participants, the Trustee and the Commission, subject to conditions of the Rules.

6.18.3 In the event that the Pension Fund Manager is of the view that the quantum of redemption requests that have built up shall result in the Sub-Funds or the Pension Fund being run down to an unmanageable level or it is of the view that the sell-off of assets is likely to result in a significant loss in value for the Participants who are not redeeming, it may apply to the Commission to de-authorize the Pension Fund. In such an event, the queue system, if already invoked, shall cease to apply.

- 6.18.4 The Pension Fund may also be de-authorized by the Commission on the grounds provided in the Rules.
- 6.18.5 Upon the Pension Fund being de-authorized, the Pension Fund Manager shall suspend receiving Contributions forthwith from all the Participants from the date of issue of the notice under Clauses 6.18.2 and 6.18.3 and shall proceed to transfer all the records of Individual Pension Accounts and books of accounts of the Pension Fund to another pension fund manager.
- 6.18.6 The Trustee shall ensure that accounts of the Pension Fund till the day of the transfer to the new Pension Fund Manager are audited by the Auditor and the audit and Trustee report is submitted within one month from the date of such appointment to the Commission, the new pension fund manager and the Trustee. The Trustee with the approval of the Commission shall decide the cost of such interim audit and the same shall be charged to the Pension Fund with the prior approval of the Commission.
- 6.18.7 Once the Pension Fund has been de-authorized by the Commission, the Pension Fund Manager may, after transferring all the records of Individual Pension Accounts and books of accounts of the Pension Fund to the new pension fund manager, wind up the Pension Fund in accordance with the provisions of the Rules and in the court of jurisdiction.
- 6.18.8 The Trust may be terminated in accordance with the conditions specified in the Rules if there is any breach of the provisions of the Trust Deed or any other agreement or arrangement entered into between the Trustee and Pension Fund Manager regarding the Trust, leading to extra-ordinary situation, after giving three months notice to the participants and after approval of the Commission to such a decision. The action in this respect shall be taken by the Pension Fund Manager or the Trustee (or a new pension fund manager or a new trustee) as may be directed by the Commission.
- 6.18.9 The Trust may also be wound up if the Commission decides to cancel the registration of the Pension Fund Manager on the grounds given in the Rules and after offering an adequate opportunity of explanation to the Pension Fund Manager.

6.19 Features of Group / Takaful in the Pension Fund

- 6.19.1 The Pension Fund may be marketed in conjunction with Takaful/Conventional or any other takaful scheme subject to approval of the Commission and the Trustee shall be authorized to deduct any takaful contribution or insurance premium only form the contributions of those participants who have opted to join and contribute to such schemes and deposit it, with the relevant takaful/insurance company if the contribution includes any amount of takaful contribution or insurance premium. However, it should be clearly understood that it is not mandatory for the Participants to opt for the takaful scheme/insurance scheme.

- 6.19.2 In the event the Subscriber opts for a takaful/insurance cover with one of the takaful/insurance companies, the Subscriber will send the amount of the applicable takaful/insurance premium along with his contribution. The Trustee will pass on the takaful contribution or insurance premium to the takaful/insurance company concerned as a free service to the Subscriber.
- 6.19.3 The Pension Fund Manager may also offer free insurance/takaful cover for accidental death, disability etc.

6.20 Nomination of the Heir/ Survivor

The successors or nominated survivor(s) of the deceased Participant shall be the only persons recognized by the Trustee as having any title or interest in the Units held by such Participant in their Individual Pension Account, *provided* that the Registrar or the Pension Fund Manager or the Trustee may at their discretion request the nominated survivors or successors to provide succession certificates or other such mandate from a court of lawful authority, if they consider the same to be necessary.

6.21 Withdrawal of Funds before Retirement

- 6.21.1 On any Business Day and from time to time, before the date of retirement a Participant may redeem the whole or any part of the Units held by him in his Individual Pension Account. Under these circumstances the Participant will be taxed as per the conditions laid down in the Income Tax Ordinance, 2001 (XLIX of 2001). The withdrawals may be through single or multiple payments and may be liable to withholding tax or tax penalty, and in case any such liability exists the amount of withholding tax or tax penalty shall be deducted by the Pension Fund Manager from the amount withdrawn and such deducted amount shall be paid to the relevant Authority.
- 6.21.2 Where the request made by a Participant under Clause 6.21.1 is for partial withdrawal from his Individual Pension Account, the request shall be given effect to by redemption of Units of Sub-Funds in such proportion that the remaining balance in his Individual Pension Account is in accordance with the Allocation Scheme last selected by the Participant.
- 6.21.3 If a Participant intends to withdraw funds from his Individual Pension Account before the date of his retirement, he must give written notice of his intention to the Pension Fund Manager in the form prescribed for such purpose, attached hereto as Annexure "I", specifying therein whether the withdrawal is required of the whole or part of the Units held by him, and in the case of part withdrawal, the percentage of Units to be withdrawn.

- 6.21.4 The Pension Fund Manager shall ensure that the form referred to in Clause 6.21.3 shall be available from Authorized Branches and such form shall, if duly completed by the Participant and submitted to any Authorized Branch, shall be taken to be the notice to the Pension Fund Manager referred to in that Clause.
- 6.21.5 On any Business Day being not later than the sixth (6th) Business Day after the Participant submitted the completed form to any Authorized Branch under Clause 6.21.4, the Pension Fund Manager shall, subject to Clause 6.21.2, redeem the relevant number of Units held by the Participant in his Individual Pension Account at Net Asset Value notified at close of the day on which the Participant submitted the completed form as aforesaid or, if such day is not a Business Day, on the first Business Day following that day and the proceeds realized thereby shall be paid to the Participant subject to Clause 6.21.1.
- 6.21.6 The provisions relating to withdrawal of funds before the date of retirement set out in Clauses 6.21.1 to 6.21.5 may change due to amendments in or substitutions of the Rules and/or the Income Tax Ordinance, 2001. Any such changes shall be deemed to become part of the Trust Deed and the Offering Document, without the need for executing Supplementary Trust Deeds or Supplementary Offering Documents.

6.22 Benefits on Disability before Retirement

- 6.22.1 If a Participant suffers from any of the following disabilities which render him unable to generate any income, he may, if he so elects, be treated as having chosen the date of such disability as his date of retirement, namely:
- (A) loss of two or more limbs or loss of a hand and a foot;
 - (B) total loss of eyesight;
 - (C) total deafness in both ears;
 - (D) very severe facial disfigurement;
 - (E) total loss of speech;
 - (F) paraplegia or hemiplegia;
 - (G) lunacy;
 - (H) advanced case of incurable disease; or
 - (I) any injury or disease resulting in a disability due to which the Participant is unable to generate any income.
- 6.22.2 An assessment certificate from the medical board approved by the Commission and appointed by the Pension Fund Manager or any other assessment procedure that the Commission may approve from time to time shall be required to confirm any disability as specified in Clause 6.22.1.

6.22.3 If any of the following conditions as mentioned in Clause 6.22.1 existed, and the Participant selects the date of disability as the date of retirement, the Participants shall then have the following options, namely:

- (A) to withdraw up to fifty per cent (50%) of the amount in his Individual Pension Account, as cash and
- (B) either to use the remaining amount to purchase an Approved Annuity Plan from a Life Insurance Company of his choice; or
- (C) enter into an agreement with the Pension Fund Manager to transfer his balance to an Approved Income Payment Plan offered by the Pension Fund Manager or another pension fund manager and withdraw from it, monthly installments till the age of seventy five years (75) or earlier.

6.22.4 The Participant, electing to be treated as having reached the Retirement Age at the date of disability will apply for withdrawal of the amount available in his Individual Pension Account by completing the prescribed Disability Claim Form attached hereto as Annexure "I" and submitting it at the Authorized Branch or office of the Distribution Companies.

6.22.5 On receiving a Disability Claim Form as specified in Clause 6.22.4 above, complete in all respects and Disability Confirmation Certificate from the medical board in accordance with Clause 6.22.2, the Pension Fund Manager will redeem the entire Units of the Sub-Funds at the Net Asset Value prevailing on close of the Business Day on which the required formalities were completed. Proceeds from the redemption of units will be transferred to the individual Pension Account of the respective Participant. Participant will then have the options given in Clause 6.22.3.

6.23 Benefits on Death before Retirement

6.23.1 In case of death of a Participant before the date of retirement, all the Units of the Sub-Funds to his credit shall be redeemed at Net Asset Value notified at close of the day on which information of the Participant's death acceptable to the Trustee or in its sole discretion (and authenticated in such manner as the Trustee may require to its satisfaction) is given in writing to the Pension Fund Manager by any nominee, executor, administrator or successor of the deceased Participant or, if such day is not a Business Day, the first Business Day following such day, and the proceeds realized thereby shall be credited to the Participant's Individual Pension Account, which shall earn the rate of interest, markup or profit paid to depositors for deposits of a similar maturity by a Bank selected by the Pension Fund Manager in its discretion.

6.23.2 The total amount in the Individual Pension Account of the deceased Participant shall be divided among the survivor(s) nominated by the Participant according to the percentages specified in the "Registration Form", attached hereto as Annexure "F" and executed by the Participant and delivered to the Pension Fund Manager, and each nominated survivor shall then have the following options, namely:

- (a) withdraw his share of the amount subject to the conditions laid down in the Income Tax Ordinance, 2001 (XLIX of 2001);
- (b) in accordance with the Rules, transfer his share of the amount into his existing Individual Pension Account with the Pension Fund Manager or his new Individual Pension Account to be opened with the Pension Fund Manager;
- (c) if he is aged fifty five (55) years or more, use his share of the amount to purchase an Approved Annuity Plan on his life from a Life Insurance Company; or
- (d) if he is aged less than fifty five (55) years, use his share of the amount to purchase a deferred Approved Annuity Plan on his life from a Life Insurance Company to commence when he reaches the age of fifty five (55) years or later.

6.23.3 Death benefits paid to the survivor(s) nominated by a Participant under any group life cover taken out by the Participant as part of the Pension Fund shall be additional benefits payable to the nominated survivor(s).

6.23.4 After a Participant's death the only persons recognized by the Trustee and the Pension Fund Manager as having title to the Sub-Fund Units held in the deceased Participant's Individual Pension Account shall be:

- (a) the survivor(s) nominated in a nomination deed mentioned in clause 6.23.2, executed by the Participant in a form acceptable to the Pension Fund Manager and delivered by the Participant to the Pension Fund Manager; or
- (b) if no such deed has been delivered by the Participant to the Pension Fund Manager, the executors, administrators or successors of the deceased Participant.

6.23.5 Any person or persons becoming entitled pursuant to Clause 6.23.4 to any Sub-Fund Units in consequence of the death of any Participant may, subject as hereinafter provided, upon producing such evidence as to his title as the Trustee shall think sufficient, exercise rights under Clause 6.23.2; *provided that* in case the persons becoming entitled to any Sub-Fund Units are the executors, administrators or successors of the Participant under Clause 6.23.4(b), then in Clause 6.23.2 reference to "survivor(s) nominated" and "nominated survivor" shall be taken to mean such executors, administrators or successors and reference therein to "percentages specified in the nomination deed executed by the Participant and delivered to the Pension Fund Manager" shall be taken to mean the *inter se* ownership entitlements of such executors, administrators or successors; *provided further that* the Pension Fund Manager or the Trustee may at their discretion request such executors, administrators or successors to provide succession certificates or other such mandate from a court or lawful authority;

provided further that the Pension Fund Manager or the Trustee shall not be liable or be involved in any manner whatsoever in any disputes among the nominated survivors and/or such executors, administrators or successors and/or the rest of the legal heirs or the legal representatives of the deceased Participant; *provided further that* all the limitations, restrictions and provisions of the Trust Deed related to withdrawal of funds before retirement shall be applicable to withdrawals pursuant to Clause 6.23.2(a).

6.24 Retirement Age

- 6.24.1 A Participant may at any time before or after becoming a Participant choose or change his date of retirement which shall be any date from and including his sixtieth (60th) birthday to and including his seventieth (70th) birthday. The Participant shall send a notice choosing or changing his date of retirement to the Pension Fund Manager and such notice shall be effective only if it is received by the Pension Fund Manager at least thirty (30) days before the chosen or changed date of retirement at an Authorized Branch of the Distribution Companies.
- 6.24.2 A participant shall notify the Pension Fund Manager of his chosen date of retirement by filling in the attached form marked Annexure “F” or may change his date of retirement after he joins the Pension Fund by filling in the attached form marked Annexure “J” thereafter.

6.25 Benefits on Retirement

- 6.25.1 On the date of retirement of a Participant or, if such date is not a Business Day, on the first Business Day following the date of retirement all of the Units held by him in his Individual Pension Account shall be redeemed at Net Asset Value of each Unit notified at close of the day of redemption and the proceeds realized thereby shall be credited to his Individual Pension Account, which shall earn the rate of interest, markup or profit paid to depositors for deposits of a similar maturity by a Bank selected by the Pension Fund Manager in its discretion. The Participant shall then have the following options, namely:
- (a) withdraw up to fifty per cent (50%) or such other per cent of the amount in his Individual Pension Account as permissible under the Income Tax Ordinance, 2001 as cash; **and**
 - (b) **either** purchase an Approved Annuity Plan from a Life Insurance Company of his choice with the remaining amount; *provided that* the Approved Annuity Plan purchased may be single life, joint or survivor life, level (with or without guarantee period), increasing, investment linked and retail price index linked or with any additional features as may be offered by the Life Insurance Company or as may be prescribed under the Rules; **or**

- (c) enter into an agreement with the Pension Fund Manager to transfer his remaining balance to an Approved Income Payment Plan offered by the Pension Fund Manager and withdraw from it monthly installments till the age of seventy five (75) years or earlier according to the Approved Income Payment Plan. Details of the Approved Income Payment Plan offered by the Pension Fund Manager shall be disclosed in the Offering Document and shall be subject to amendment through Supplementary Offering Documents from time to time.

7. FEES, CHARGES AND EXPENSES

7.1 Pension Fund Manager Remuneration - Allocation of Front-End Fee

7.1.1 The Pension Fund Manager may charge Front-end Fee up to a maximum of three per cent (3%) from Contributions made to the Pension Fund, unless such Contributions are exempt from a Front-end Fee as provided in the Rules, the Trust Deed and sub Clause 7.1.2 hereunder.

7.1.2 The following Contributions shall be exempt from a Front-end Fee charge:

- (a) a transfer to a Participant's Individual Pension Account received by the Trustee for the Participant's account from another pension fund manager;
- (b) a transfer to a Participant's Individual Pension Account received by the Trustee from pension policies approved by the Commission under Section 63 of the Income Tax Ordinance, 2001 and issued by Life Insurance Companies before 30th June 2005;
- (c) such other Contributions and transfers as may be declared by the Commission from time to time to be exempt from a Front-end Fee charge.

7.1.3 The Pension Fund Manager, in its sole discretion, may choose to reduce or altogether waive the Front-end Fee to any Participant or employer. Once the Pension Fund Manager has reduced or waived the Front-end Fee for any Contribution, or has accepted any Contribution without imposing the Front-end Fee, the Pension Fund Manager may not later re-charge that Front-end Fee; *provided that* Pension Fund Manager's reduction or waiver of Front-end Fee for any Participant or employer or for any Contribution of any Participant does not obligate the Pension Fund Manager to reduce or waive the Front-end Fee for Contributions made by other Participants or employers or for further Contributions of or for the same Participant.

- 7.1.4 The remuneration of Distribution Companies, Investment Facilitators and Sales Agents shall be paid exclusively from any Front-end Fee received by the Trustee and no charge shall be made against the Trust Property in respect of such remuneration. The remaining amount of any Front-end Fee collected after disbursement of such remuneration shall be paid by the Trustee to the Pension Fund Manager. If the Front-end Fee received by the Trustee is insufficient to pay the remuneration of the Distribution Companies, Investment Facilitator and Sales Agents, the Pension Fund Manager shall make up the difference from its own resources.
- 7.1.5 Payments mentioned in Clause 7.1.4 above shall be made by the Trustee to the Distribution Companies, Investment Facilitators Sales Agents and the Pension Fund Manager or, as the case may be, by the Pension Fund Manager to the Trustee, on a monthly basis in arrears within thirty (30) days following the end of the calendar month.
- 7.1.6 The Front-end Fee of three per cent (3%) of all Contributions and the management fee as specified in Clause 7.2 below, may be subject to change due to any review by the Commission and such change shall be deemed to become part of the Trust Deed and Offering Document without the need to execute any Supplementary Trust Deed and Supplementary Offering Document.

7.2 Pension Fund Manager Remuneration – Management Fee

- 7.2.1 The Pension Fund Manager shall be entitled to remuneration for its services out of the Trust Property by way of an annual management fee of one and a half per cent (1.5%) of the average of the values of the Net Assets of each of the Sub-Funds calculated during the year for determining the prices of the Units of the Sub-Funds.
- 7.2.2 The remuneration shall begin to accrue from the date of payment in full for all the Seed Capital Units subscribed by the Seed Investors in such manner as to achieve compliance with the undertaking given to the Commission by the Pension Fund Manager pursuant to Rule 9(3)(b) of the Rules (the “**Contribution Date**”). In respect of the first and the last Accounting Periods, such remuneration shall be prorated on the basis of the actual number of days during such period for which such remuneration has accrued against the total number of days during such period.
- 7.2.3 The remuneration due to the Pension Fund Manager shall be calculated and accrued on a daily basis and paid to the Pension Fund Manager monthly in arrears within fifteen (15) days following the end of each calendar month in accordance with Clause 7.5. At the end of each Accounting Period a reconciliation shall be conducted for any overpayments or underpayments of management fee to the Pension Fund Manager for that Accounting Period and within fifteen (15) days of the end of the Accounting Period any overpaid amount shall be refunded by the Pension Fund Manager for the account of the Pension Fund or any underpaid amount shall be paid to the Pension Fund Manager out of the Trust Property.

- 7.2.4 In consideration of the foregoing, and save as expressly provided in the Trust Deed and the Offering Document, the Pension Fund Manager shall be responsible for the payment of all expenses it incurs from time to time in connection with its responsibilities as Pension Fund Manager. The Pension Fund Manager shall not make any charge against the Participants or against the Trust Property or against any Individual Pension Account for its services or for its expenses, except such expenses as are expressly authorized under the provisions of the Rules and the Trust Deed to be payable out of Trust Property. In the event that a Pension Fund Manager erroneously makes an incorrect charge, the Pension Fund Manager shall immediately notify the Trustee and the Commission and credit the incorrectly charged amount to the respective Sub-Funds, at its own expense.
- 7.2.5 The Pension Fund Manager shall bear all expenditures in respect of its secretarial and office space and professional management, including all accounting and administrative services provided in accordance with the provisions of the Trust Deed.

7.3 Formation Cost

Formation Costs not exceeding half of one percent (0.5%) of the Seed Capital of each Sub-Fund or PKR 750,000/- in total, whichever is lower, can be charged to the Pension Fund and shall be amortized over a period of three years and shall not include any marketing, sales, promotional or educational, communication or any form of advertisement .

7.4 Other Expenses

Other expenses that shall be chargeable to the Pension Fund in accordance with Clause 7.5 shall include:

- (a) brokerage and transaction costs solely related to investment purchases and sales of the Trust Property;
- (b) legal costs incurred in protecting the interests of the Pension Fund or the collective interest of the Participants;
- (c) bank charges and financial costs related to borrowings for withdrawals or transfers in relation to the Pension Fund;
- (d) any amount which the Shariah Advisor may declare to be Haram and to be paid to Charity as per Guidelines of the Commission;
- (e) audit fees in relation to the Pension Fund;
- (f) annual fee payable to the Commission but not any fines, charges, sanctions or penalties asserted by the Commission against the Pension Fund Manager or any

of its related companies, in each case in relation to the Pension Fund;

- (g) Taxes applicable to the Pension Fund on its income, turnover, assets or otherwise, if any, but not any fines, charges, sanctions or penalties asserted by the Commission against the Pension Fund Manager or any of its related companies in relation to the Pension Fund; and
- (h) custody charges, including Central Depository Company of Pakistan Limited charges, if any.

7.5 Fees, Charges, Costs, etc. To be Charged to the Sub-Funds

- 7.5.1 The Pension Fund Manager's management fee and the Trustee's remuneration shall be charged to each Sub-Fund in proportion to the Net Assets of each Sub-Fund.
- 7.5.2 Formation Cost shall be divided equally among all the Sub-Funds.
- 7.5.3 Brokerage and transaction costs in accordance with Clause 7.4 (a), any amount declared by the Shariah Advisor to be Haram in accordance with Clause 7.4 (c), bank charges and financial costs in accordance with Clause 7.4 (c), custody charges in accordance with Clause 7.4 (g) and Taxes in accordance with Clause 7.4 (f) shall be charged to the pertinent Sub-Funds.
- 7.5.4 Legal costs in accordance with Clause 7.4 (b), audit fees in accordance with Clause 7.4 (d) and annual fees payable to the Commission in accordance with Clause 7.4 (e) shall be charged to the pertinent Sub-Funds in proportion to their respective Net Assets.

7.6 Trustee's Remunerations

- 7.6.1 The Trustee shall be entitled to a monthly remuneration out of the Trust Property based on an annual tariff of charges annexed hereto (Annexure - K) and approved by the Commission, which shall be applied to the average daily Net Assets of the Pension Fund during such calendar month. The remuneration shall begin to accrue from the date of payment in full for all sub-funds units subscribed by the Seed Investors, including the Pension Fund Manager. For any period other than a full calendar month such remuneration shall be prorated on the basis of the actual number of days for which such remuneration has accrued for the total number of days in the calendar month concerned.
- 7.6.2 The remuneration due to the Trustee shall be calculated and accrued on a daily basis and paid to the Trustee monthly in arrears within fifteen (15) days following the end of each calendar month in accordance with Clause 7.5. At the end of each Accounting Period a reconciliation shall be conducted for any overpayments or underpayments of remuneration paid or payable to the Trustee for that Accounting Period and within fifteen

(15) days of the end of the Accounting Period any overpaid amount shall be repaid by the Trustee for the account of the Pension Fund or any underpaid amount shall be paid to the Trustee out of the Trust Property.

- 7.6.3 In consideration of the foregoing, the Trustee shall be responsible for the payment of all expenses incurred by the Trustee from time to time in connection with its duties as trustee of the Trust. The Trustee shall not make any charge against the Participants or against the Trust Property or against any Individual Pension Account for its services or for its expenses, except such expenses as are expressly authorized to be paid out of the Trust Property under the provisions of the Rules and the Trust Deed.
- 7.6.4 The Trustee shall bear all expenditures in respect of its secretarial and office space, professional management, and administrative services provided in accordance with the provisions of the Trust Deed.
- 7.6.5 Any change in the remuneration of the Trustee agreed to by the Pension Fund Manager shall require the prior approval of the Commission.

8. INVESTMENT POLICY AND RESTRICTIONS

8.1 *Trust Property*

- 8.1.1 The Trust Property initially shall be constituted out of the proceeds of the Seed Capital Units issued to the Seed Investors.
- 8.1.2 All cheques, drafts, pay orders and other instruments of payment received on account of the Contributions to the Pension Fund from time to time shall be forthwith delivered by the Distribution Companies to the Trustee in accordance with the instructions given by the Pension Fund Manager from time to time.
- 8.1.2 The net proceeds after deduction of any Front-end Fee and /takaful premia, wherever applicable shall constitute Trust Property vested in the Sub-Funds of the Pension Fund.
- 8.1.3 The Trustee shall take the Trust Property into its custody or under its control, either directly or through a Custodian and hold it in trust for the benefit of the Participants in accordance with the provisions of the Rules and the Trust Deed. The Trust Property shall always be kept as separate property and shall not be applied to any purpose unconnected with the Pension Fund. All registerable Investments shall be registered in the name of the Trustee or to the order of the Trustee and shall remain so registered until disposed of pursuant to the provisions of the Trust Deed. All expenses incurred by the Trustee in effecting such registration shall be payable out of the Trust Property.
- 8.1.4 All cash forming part of the Trust Property shall be deposited by the Trustee in separate account(s) to be opened in the name of the Trustee, as a nominee of the Pension Fund,

with scheduled commercial Banks having at least the minimum rating by a credit rating agency as specified by the Commission. Such Banks shall be required to allow profit thereon in accordance with the rules prescribed by such Banks for sharing of profits or mark-up on Shariah compliant deposits maintained in such accounts or under any other arrangement approved by the Pension Fund Manager at rate that are not lower than rates offered by such Banks to other depositors for deposits of similar maturity.

- 8.1.5 Save as herein expressly provided, the Trust Property shall always be kept as separate property free from any mortgages, charges, liens, or any other encumbrances whatsoever and the Trustee, the Pension Fund Manager or a Custodian shall not, except for the purpose of the Pension Fund, create or purport to create any mortgages, charges, liens or any other encumbrances whatsoever to secure any loan, guarantee, or any other obligation, whether actual or contingent, on the Trust Property.
- 8.1.7 The Trustee shall have the sole responsibility for the safekeeping of the Trust Property. In the event of any loss caused through act or omission on the part of the Trustee, the Trustee shall forthwith replace the lost Investment with similar investment of the same class and issue together with all rights and privileges appertaining thereto or compensate the Pension Fund to the extent of such loss.
- 8.1.8 Remuneration of the Pension Fund Manager, remuneration of the Trustee and all other expenses pursuant to Clause 7.4 shall be payable out of the Trust Property.
- 8.1.9 Formation Costs, including expenditure incurred in connection with the establishment and authorization of the Pension Fund, shall be borne by the Pension Fund, paid to the Pension Fund Manager within the first three (3) months of complete receipt of proceeds against Seed Capital Units subscribed by the Seed Investors and amortized over a period of three (3) years.

8.2 Investment Policy of the Pension Fund

- 8.2.1 The Pension Fund Manager shall invest assets of The Pension Fund in those securities which are declared eligible by the Shariah Advisor of the Pension Fund.
- 8.2.2 The Pension Fund Manager shall make investment of the Pension Fund in a transparent, efficacious, prudent and sound manner. The Pension Fund will initially consist of three Sub-Funds.
- 8.2.3 Prior to the Launch Date the Trustee shall hold the Trust Property in respect of each Sub-Fund in cash in a separate account for each Sub-Fund with a Bank having at least the minimum rating by a credit rating agency as specified by the Commission or shall invest such cash in Shariah compliant short term money market investments, as advised by the Pension Fund Manager. Any income from such investments shall accrue to the Sub-Fund to which it pertains. After the Launch Date all cash shall be invested by the Trustee

strictly in compliance with the Investment Policy at the direction of the Pension Fund Manager, in Authorized Investments or in cash (including foreign currencies).

- 8.2.4 The Pension Fund Manager shall deposit or place assets of the Pension Fund with Islamic commercial bank or Islamic window of a commercial bank. The Pension Fund Manager may open current account with a conventional bank if it is in the interest of the pension fund to do so. The conditions for opening of account with a conventional bank shall remain the same as specified in this Offering Document.
- 8.2.5 All investment and disinvestment decisions shall be taken by the Pension Fund Manager of the Pension Fund in consultation with the Investment Committee of the Pension Fund Manager. Membership of and conduct of business by the Investment Committee shall be the same as provided in Regulation 37 of Non-Banking Finance Companies and Notified Entities Regulations, 2008, or as may be specified by the Commission from time to time.

8.3 *Investment Objective and Investment Policy of the HBL IPF Equity Sub-Fund*

- 8.3.1 The Investment Objective of the Equity Sub-Fund of the Pension Fund is to earn returns from investments in Pakistani Equity Markets.
- 8.3.2 The Investment Policy of the Equity Sub-Fund is determined by the Commission. The current Investment Policy for equity sub-funds generally is determined by the Commission as stated below, and will be followed by the Pension Fund Manager in relation to the Equity Sub-Fund:
- (A) Assets of an equity sub-fund shall be invested in equity securities which are listed on a Stock Exchange or for the listing of which an application has been approved by a Stock Exchange.
 - (B) Assets of an equity sub-fund shall primarily be invested in securities of those listed companies, which have minimum operational record of five (5) years subject to conditions stated in sub- Clause (C) below.
 - (C) The pension fund manager of an equity sub-fund, for the reasons to be recorded by its Investment Committee in the minutes for the decision, may invest up to five per cent (5%) of the net assets of the equity sub-fund in securities of listed companies having operational record of less than five (5) years and where the paid up capital of a company is less than equity but investment in securities of any one such company shall not exceed one percent (1%) of net assets of the equity sub-fund or the paid-up capital of that company; whichever is lower.

- (D) At least ninety percent (90 %) of net assets of an equity sub- fund shall remain invested in listed equity securities during the year based on quarterly average investment calculated on a daily basis;
- (E) A Shariah compliant fund may invest in equity securities of any single company up to ten per cent (10%) of net assets of an equity sub-fund or paid-up capital of that single company, whichever is lower.
- (F) The Pension Fund Manager of the equity sub-fund may invest up to thirty per cent (30%) or the index weight, whichever is higher, subject to maximum of thirty five percent (35 %) of net assets of a Shariah compliant equity sub-fund in equity securities of companies belonging to a single sector as classified by Stock Exchanges.
- (G) The pension fund manager of the equity sub-fund may invest any surplus (un-invested) funds in government treasury bills or government securities having less than one year time to maturity or keep as deposits with scheduled commercial banks which are rated not less than "A" by a rating agency registered with the Commission.
- (H) Deposits up to ten percent (10%) of the net assets of a Pension Fund with scheduled commercial banks as mentioned in sub- Clause (G) above, if kept for a period of less than ninety (90) days shall not be counted towards exposure limits.
- (I) The pension fund manager of the equity sub-fund shall not deposit more than ten per cent (10%) of net assets of the equity sub-fund in a single bank.
- (J) The limits mentioned in sub- Clause (I) above, shall not apply during the initial six (6) months of the launch of an equity sub-fund if the amount is deposited with a commercial bank owned by Federal Government or scheduled commercial bank rated "AA PLUS" or above with a stable outlook.
- (K) The pension fund manager shall adhere to the limits stipulated herein above; however, if the limits are breached merely due to corporate actions including take up of right or bonus issue(s) or due to change in net assets resulting from fluctuation in price of equity securities, the pension fund manager shall regularize the deviation within three (3) months of the breach unless, on a written application of pension fund manager, the said period of three (3) months has been extended by the Commission.

8.4 Investment Objective and Investment Policy of the HBL IPF Debt Sub-Fund

- 8.4.1 The investment objective of the Debt Sub-Fund is to earn returns from investments in debt markets of Pakistan, thus incurring a relatively lower risk than equity investments.

8.4.2 The investment policy of the Debt Sub-Fund is determined by the Commission. The current Investment Policy for debt sub-funds generally is determined by the Commission as stated below, and will be followed by the Pension Fund Manager in relation to the Debt Sub-Fund:

- (A) The debt sub-fund shall consist of debt securities and such other assets as specified herein below.
- (B) The weighted average time to maturity of securities held in the portfolio of a debt sub-fund shall not exceed five (5) years.
- (C) At least twenty five per cent (25%) net assets of the debt sub fund shall be invested in debt securities issued by the Federal Government and up to twenty five per cent (25%) may be deposited with banks having not less than "AA PLUS" rating with a stable outlook so that both these investments shall make up a minimum fifty per cent (50%) of net assets of the debt sub-fund.
- (D) In case the Shariah compliant securities issued by Federal Government are not available to comply with sub- Clause (C) above, the assets of a Shariah compliant debt sub-fund may be deposited in Islamic commercial banks, having not less than "A PLUS" rating or Islamic windows of commercial banks, having not less than "AA" rating, or may be invested in Islamic bonds or Sukuks issued by entities wholly-owned by the Federal Government or in such Islamic securities which are fully guaranteed by the Federal Government.
- (E) Investment in all other securities including those issued by provincial governments, city governments, government corporations and by corporate entities shall be subject to the following conditions:

Credit Rating	Investment Limits
<p>Rating of security "AA" or higher.</p> <p>Rating of the issuer (excluding provincial or city government) "AA" or higher</p>	<p>Exposure up to 7.5% of</p> <p>a) Net Assets of a Debt Sub-fund; or b) size of any issue; or c) size of total issues by one issuer, whichever is lower.</p>
<p>Rating of security "A" to "A Plus" or higher.</p> <p>Rating of issuer (excluding provincial or city government) "AA" or higher.</p>	<p>Exposure up to 5% Of</p> <p>a) Net Assets of a Debt Sub-fund; or b) size of any issue; or c) size of total issues by one issuer, whichever is lower.</p>
<p>Rating of the security "A Minus" or higher.</p> <p>Rating of the issuer (excluding provincial or city</p>	<p>Up to 2.5% of</p> <p>a) Net Assets of a Debt Sub-fund; or b) size of any issue; or</p>

government) "A Minus" or above,	<p>c) size of total issues by one issuer; or d) paid-up capital of the issuer; whichever is lower.</p> <p>The outstanding life of the security rated "A Minus" shall not exceed five (5) years.</p>
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- (F) Exposure to securities issued by companies of a single sector shall not exceed twenty percent (20%) except for banking sector for which the exposure limit shall be up to thirty percent (30%) of net assets of a debt sub-fund.
- (G) Deposits in a single bank shall not exceed ten per cent (10%) of net assets of the debt sub-fund.
- (H) The aforesaid limit in sub- Clause (G) above shall not be applicable during the initial six (6) months of the launch of a pension fund if the amount is deposited in a scheduled commercial bank owned by the Federal Government or a scheduled bank having "AA Plus" or higher rating.

8.5 Investment Objective and Investment Policy of the HBL IPF Money Market Sub-Fund

8.5.1 The Investment Objective of the Money Market Sub-Fund is to earn returns from investments in Money Markets of Pakistan, thus incurring a relatively lower risk than debt investments.

8.5.2 The Investment Policy of the Money Market Sub-Fund is determined by the Commission. The current Investment Policy for money market sub-funds generally is determined by the Commission as stated below, and will be followed by the Pension Fund Manager in relation to the Money Market Sub-Fund:

- (A) The weighted average time to maturity of net assets of the money market sub-fund shall not exceed ninety (90) days; except for assets of Shariah compliant money market sub fund, where time to maturity may be up to one (1) year.
- (B) Time to maturity of any security in the portfolio of the money market sub-fund shall not exceed six (6) months, except in the case of Shariah compliant money market sub-fund, where the time to maturity of a Shariah compliant government securities such as government Ijara Sukuks may be up to three (3) years.
- (C) The following limits on investment shall be followed by the money market sub- fund

Entity/ Security	Investment
Federal Government securities	No limit.
Deposits with Commercial Banks having	No limits: provided that deposit with any one bank shall not exceed 20% of Net Assets of the

"A Plus" or higher rating	Money Market Sub-fund.
Provincial or city governments or government corporations or corporate entities	Up to 20% of Net Assets of the sub-fund subject to the limits specified below for each category:-
i) Provincial government	Up to 10% of Net Assets of a Money Market Sub-fund or the issue, whichever is lower.
ii) City government	Up to 5% of Net Assets of a Money Market Sub-Fund or the issue, whichever is lower.
iii) Government corporations with "A" or higher rating of entity and the instrument.	Up to 5% of a) Net Assets of the Money Market Sub-Fund; or b) Size of the issue; c) Size of all issues of one issuer, whichever is lower
iv) Corporate entities with "A plus" or higher rating of entity and the instrument	Up to 5% of a) Net Asset of the Money Market Sub-Fund; or b) Size of the issue; or c) Size of all issues of one issuer, whichever is lower.

8.6 The Pension Fund Manager, after successfully managing the Equity, Debt and Money Market Sub-Funds of the Pension Fund shall be authorized to apply to the Commission for establishment of additional Sub-Funds for investments in other classes of assets,. If the Commission allows the establishment of such Sub-Funds, taking into account the policy of the Federal Government, the Pension Fund Manager may, at its discretion, proceed to establish such additional Sub-Funds on such terms and conditions as may be prescribed by the Commission.

8.7 Any investment made in a security for any of the Sub-Funds in a security for which any Connected Person of the Pension Fund Manager is, or has been, involved, during the past twelve months, as an arranger, manager, advisor, consultant or underwriter, will be reported to the Commission within six (6) working days of entering into such transaction. The Pension Fund Manager will also provide full justification for such investment. The Commission may, after giving the Pension Fund Manager an opportunity of being heard, direct it to dispose of such investments and such directive, if any, will be implemented.

8.8 Investment Restrictions

The Pension Fund Manager shall not at any time on behalf of the Pension Fund:

- (a) invest in securities of the Pension Fund Manager or any of its associated companies.
- (b) take exposure to a single group exceeding twenty per cent (20%) of the Net Assets of the Pension Fund *provided that* for the purposes of this limit “group” shall have the same meaning as provided in the “Explanation” to clause (a) of sub-regulation (10) of regulation 55 of the Non-Banking Finance Companies and Notified Entities Regulations, 2008;
- (c) invest or enter into contract to invest in securities for which the Pension Fund Manager or any of its connected party is or has been involved, during the past six (6) months, as an arranger, manager, advisor, consultant, underwriter or sub underwriter.
- (d) invest in securities issued by companies of any one sector (sector shall be the same as classified by the Stock Exchanges) exceeding twenty five per cent (30%) or the index weight, whichever is higher, subject to maximum of thirty percent (35%) of the Net Assets of the Pension Fund unless specified otherwise in the Investment Policy. These limits shall, however, be reviewed for adjustments as and when classification of sectors is changed by the Stock Exchanges.
- (e) invest in securities of a company if equity is less than paid-up capital of the company, irrespective of the limits stated in the Investment Policy.
- (f) invest or deposit or place assets of the Pension Fund if the issuer or the Bank or the security does not fulfill the minimum rating specified in the investment policy or has not been assigned a stable or positive outlook.
- (g) enter into a short sale transaction in any security, whether listed or unlisted;
- (h) purchase from or sell to any Connected Person any security;
- (i) enter into transactions with any single Broker, who is a Connected Person, that account for ten per cent (10%) or more of the Pension Fund’s brokerage commissions in any one Accounting Period, except that the Pension Fund Manager has requested the Commission to exempt the Pension Fund from this requirement for the first Accounting Period if that Accounting Period is of less than ten (10) months.
- (j) lend, assume, guarantee, endorse or otherwise become directly or contingently liable for or in connection with any obligation or indebtedness of any person; *provided that*

investment in sale and repurchase transactions involving Government Securities or such listed securities which are regulated by the stock exchanges shall not be prohibited under this paragraph (i) subject to the condition that risk management parameters are disclosed in the Offering Document;

- (k) borrow any funds except for meeting withdrawal requests or transfer of funds to other pension fund managers in relation to the Pension Fund and such borrowing shall not exceed fifteen per cent (15%) of the total Net Asset Value of the Pension Fund at any time and shall be repayable within a period of ninety (90) days; *provided that* any such borrowing shall be immediately communicated to the Commission with details of amount and payback plan;
- (l) invest in any security of a company if any director or officer of the Pension Fund Manager owns more than five per cent (5%) of the total nominal amount of the securities issued or collectively the directors and officers of the Pension Fund Manager own more than ten per cent (10%) of those securities; or
- (m) except where it is necessary to protect its investment, seek to acquire a controlling interest in any enterprise in which it has invested or has any other interest which would give it primary responsibility for management.

8.9 Participant's Rights in Terms of Investment Choice

The Pension Fund Manager is responsible for the investment and disinvestment of the property of the Pension Fund. However, every Participant will decide about their investment in the Units of the Sub-Funds by using their preference for the selection of the Allocation Schemes offered by the Pension Fund. Each Participant will select **any one of the approved Allocation Schemes as provided in clause 6.6**, for allocation of their contributions between the Sub-Funds. Thus Contributions from the Participants will be allocated between the Sub-Funds in accordance with the particular Allocation Scheme selected by the Participants.

8.10 Risk Disclosures

All investments in the Pension Fund are subject to market risks. The value of such investments may depreciate as well as appreciate, subject to market fluctuations and risks inherent in all such investments. Investors should read this Offering Document carefully to understand the investment policies, risks and tax implications and should consult their legal, financial or tax advisors before making any investment decision. As per the Voluntary Pension System Rules, 2005 and the Income Tax Ordinance, 2001, withdrawals from the Pension Fund before the retirement age are subject to tax.

The Pension Fund will be investing in equity securities listed on the Stock Exchanges and also in fixed income securities including deposits with Banks. Such investments are subject to varying degree of risks that include, but are not limited to:

(a) **Business Risk**

This is the uncertainty of income flows caused by the nature of a firm's business. It includes: (i) changes in business cycles affecting the business of the company in which the investment is made; (ii) changes in business circumstances of the company, its business sector, industry and/or the economy in general; and (iii) mismanagement of the investee company, third party liability through class action or occurrence of other events such as strikes, fraud etc., in the company in which the investment was made.

(b) **Equity Risk**

Investment in equity securities are subject to price risk, which is dependent on a multiple of factors, including the profitability/ performance of investee companies, technological development, which may render the processes of investee companies obsolete, government regulations, economic and political situation within the country, region and internationally. As a result of these factors, the dividend income and the share price of equity securities may go up as well as down.

(c) **Volatility in Market Price Risk**

Volatility in prices resulting from their dependence on market sentiment, speculative activity, supply and demand for the securities and liquidity in the market. The volatility in securities prices results in volatility in the NAV based price of the Unit.

(d) **Liquidity Risk**

Some securities listed at the Stock Exchanges are illiquid and difficult to sell. Liquidity Risk is the uncertainty introduced by the secondary market for an investment and assesses: 1) how long it takes to convert the investment into cash and 2) how certain is the price to be received. It is affected by:

- (i) volatility in shares prices resulting from their dependence on market sentiment, speculative activity, supply and demand for the shares and the liquidity in the market; and
- (ii) increase in lending rates as a result of a change in the supply and demand of liquidity in the market or on account of an increase of the underlying inflation rate.

(e) **Credit Risk**

This includes default risk, credit spread risk, and down grade risk. These risks are associated with fixed income securities. Default risk will involve possibility of non-payment of mark up or principal. Credit spread risk will involve increase in difference of mark up rate of an issuer and Government Securities. Such increase is due to macro economic factors in local as well as global markets. Increase in spread will result in decrease in value of fixed income securities. Down grade risk means lower rating by credit rating agencies and will result in decrease in value of fixed income securities.

(f) **Financial Leverage Risk**

This is the uncertainty induced by the method by which the firm finances its investments. If a firm borrows money to finance investments, it must pay fixed financing charges (in the form of interest to creditors) prior to providing income to the common stockholders. This risk includes: (i) senior rights of creditors over shareholders of the company in the event of winding up; (ii) the inability of the issuer of the of the instrument, the relevant

financial institution or the counter party in the case of a reverse purchase or other arrangements to fulfill their obligations; and (iii) the possibility of defaults by participants or failure of Stock Exchanges, the depositories, the settlement or clearing system.

(g) Interest Rate Risk

This arises due to increase in lending rates as a result of a change in the supply and demand of liquidity in the market or on account of an increase in the underlying inflation rate. An increase in the interest rates will result in decrease in value of fixed income securities, including Government Securities.

(h) Country or Political Risk

This is the uncertainty of returns caused by the possibility of a major change in the political or economic environment of the country such as break down of law and order, war, natural disasters, etc. and any governmental actions, legislative changes or court orders restraining payment of principal or income.

(i) Purchasing Power Risk

This is the risk of loss in the value of capital due to inflation.

(j) Inflation Risk

This is the possibility that the value of assets or income will decrease as inflation shrinks the purchasing power of a currency. Inflation causes money to decrease in value at some rate, and does so whether the money is invested or not. It is the risk associated with the return from an investment not covering the loss in purchasing power caused by inflation.

Capital invested in the stock market could, in extreme circumstances, lose its entire value.

However, studies show that diversification of the investment reduces the risk associated with investing in the stock market.

Disclaimers

- (A) **Investment Risks and Tax Implication:** All investments in the Pension Fund are subject to market risks. The value of such investments may depreciate as well as appreciate, subject to market fluctuations and risks inherent in all such investments. Investors should read this Offering Document carefully to understand the investment policies, risks and tax implication and should consult legal, financial or tax advisors before making any investment decision.
- (B) Withdrawals from the Pension Fund before the retirement age are subject to tax under the provisions of the Income Tax Ordinance, 2001 and the Rules.
- (C) The Units of the Sub-Funds of the Pension Fund are not bank deposits and are neither issued by, insured by, obligations of, nor otherwise supported by the Commission, the Stock Exchanges, any government agency, the Trustee or any of the sponsors, shareholders or employees of the Pension Fund Manager or any of the investors of the Seed Capital Units or any other Bank or financial institution.
- (D) The target return of the Sub-Funds cannot be guaranteed. It should be clearly understood that the portfolio of the Sub-Funds is subject to market fluctuations and risks inherent in all such investments.

- (E) It should be noted that the value/price of Units of the Sub-Funds can fall as well as rise.
- (F) It should be noted that under certain circumstances the withdrawal from the Pension Fund may be restricted or subject to tax penalties.
- (G) It should be noted that there will be no dividend distribution by the Sub-Funds.

9. CHANGE OF THE PENSION FUND MANAGER

- 9.1 Participants shall be entitled to transfer in accordance with the terms of the Trust Deed the whole or any part of their Individual Pension Account with the HBL Islamic Pension Fund to a pension fund managed by another pension fund manager.
- 9.2 No charge, whatsoever called, shall be deducted for any transfer of a Participant's Individual Pension Account to a pension fund managed by another pension fund manager.
- 9.3 The Pension Fund Manager shall use any cleared funds received for the account of a Participant's Individual Pension Account from a pension fund managed by another pension fund manager to purchase such number of Units of the relevant Sub-Funds as is determined in accordance with the Trust Deed and this Offering Document. The Units shall be purchased at Net Asset Value notified at the close of the Business Day on which such cleared funds are received by the Trustee at percentages according to the respective prescribed Allocation Scheme selected by the Participant.
- 9.4 If a Participant desires to transfer his Individual Pension Account, the Participant shall specify in an application given to the Pension Fund Manager the name of the new pension fund manager, the name of the new pension fund, the individual pension account number with the new pension fund manager and the percentage of Units held in the Participant's Individual Pension Account to be transferred. The application shall be given in a form prescribed by the Pension Fund Manager in this Offering Document.
- 9.5 Where an application in accordance with the requirements of Clause 9.4 is received by the Pension Fund Manager from or on behalf of any Participant at least thirty (30) days prior to any anniversary date of opening of the Participant's Individual Pension Account or as may be prescribed in the Rules or by the Commission, the Pension Fund Manager shall, on the anniversary date or, if the anniversary date is not a Business Day, on the first Business Day following the anniversary date, redeem the percentage of Units to be transferred held in the Individual Pension Fund Account at Net Asset Value of the Units notified at the close of the redemption date and shall on the first Business Day following the redemption date transfer the proceeds of the redemption to the pension fund nominated by the Participant; *provided that* where the Units held in the Participant's Individual Pension Account are held in two or more Sub-Funds, Units shall be redeemed

from each of the Sub-Funds on the basis of the percentage specified by the Participant. In case the Rules or any other applicable laws relating to the change of Pension Fund Manager by Participant are amended or substituted, the amended Rules or other applicable laws, as the case may be, shall be deemed to become part of this Offering Document without the need to execute a Supplemental Offering Document.

- 9.6 On receiving the transfer application mentioned in clause 9.4, complete in all respects, the Pension Fund Manager will proceed as follows:
- (A) Redeem Units of the Sub-Funds of the Participant at the close of first Business Day that falls on or after the anniversary of the opening of the Individual Pension Account of the Participant. Such redemption shall be of all or of such number of the Units as are required to be redeemed to give effect to the transfer request made by the Participant.
 - (B) Advise the respective Participant to open a pension account with the pension fund manager where the Participant intends to transfer his entire Individual Pension Account or part thereof from the Pension Fund.
 - (C) As soon as the Participant completes the formalities for the opening of the individual pension account with the other pension fund manager, such pension fund manager shall inform the Pension Fund manager of the pension account details of the Participant.
 - (D) After receiving the confirmation that the other pension fund manager has opened a pension account of the Participant, the Pension Fund Manager shall immediately arrange transfer of the requisite redemption amount to the pension fund managed by the other pension fund manager
 - (E) The Pension Fund Manager shall close the Individual Pension Account of the Participant, if the Participant has transferred his entire account held with the Pension Fund.
- 9.7 In the event the Commission cancels the registration of the Pension Fund Manager as a pension fund manager or discontinues the authorization of the Pension Fund, in each case in accordance with the Rules and other Applicable Laws, the Pension Fund Manager shall, as soon as practicably possible thereafter, transfer the Individual Pension Accounts of the Participants to pension funds managed by other pension fund managers as selected by the Participants, under this Clause 9, or as directed by the Commission.
- 9.8 Participants having pension policies approved by the Commission under Section 63 of the Income Tax Ordinance, 2001 (XLIX of 2001) and issued by Life Insurance Companies before 30 June 2005 are eligible to redeem their units and transfer the balance to their Individual Pension Account, subject to the Rules.

10 SAFEGUARD OF MONEY

No contribution should be paid to an intermediary, except to the Pension Fund Manager or its authorized representatives as prescribed. Contributions should be in the form of "Account Payee Only" cheques, payment orders or demand drafts or direct bank transfers to the account of "CDC - Trustee HBL Islamic Pension Fund". **No contribution should be made in the form of cash or any bearer instrument.**

11. DISTRIBUTION RESTRICTION POLICY

No distribution of Income or dividend shall be allowed from any of the sub-funds. Any income earned shall be accumulated and retained in the respective sub-funds.

12. TAXATION

12.1 *Tax Credit for Contributions to the Pension Fund*

An eligible person, as defined in sub-section (19A) of section 2 of the Income Tax Ordinance, 2001, deriving income chargeable to tax under the head "Salary" or the head "Income from Business", will be entitled to a Tax Credit for a Tax Year in respect of any contribution or premium paid in the year by the person to the Pension Fund under the VPS Rules, 2005.

The amount of a person's Tax Credit allowed under Sub-section (1) for a Tax Year shall be computed according to the following formula, namely: –

$$(A/B) \times C$$

Where:

A is the amount of tax assessed to the person for the Tax Year, before allowance of any Tax Credit under this Part;

B is the person's taxable income for the tax year; and

C is the lesser of –

(i) the total contribution or premium referred to in sub-section (1) paid by the person in the year; or

(ii) twenty per cent (20%) of the person's taxable income for the relevant Tax Year Provided that a person joining the Pension Fund at the age of forty-one (41) years or above, during the first ten (10) years of the notification of the VPS, 2005 Rules, shall be allowed additional contribution of two per cent (2%) per annum for each year of age exceeding forty years. Provided, further, that the total contribution allowed to such person shall not exceed fifty per cent (50%) of the total taxable income of the preceding year; or

12.2 Tax Exemptions

Exemptions under Clause (57) sub Clause (3) (viii) of Part-I of the Second Schedule of the Income Tax Ordinance, 2001:

- (a) Total income of the Pension Fund.
- (b) Profit or gain or benefit derived by the Pension Fund Manager on redemption of the seed capital invested in the Pension Fund.

12.3 Withholding Tax

The Pension Fund Manager will deduct tax as per Tax Rules if any amount is withdrawn

- (i) before the retirement age, or
- (ii) in excess of fifty per cent (50%) of the individual's accumulated balance at or after retirement age

The rate of tax used for this purpose shall be calculated as follows:

$$\text{Rate} = \frac{\text{Total tax paid or payable by the individual for the three (3) preceding tax years}}{\text{Individual's total taxable income for the three (3) preceding tax years}}$$

The above tax will not be deducted if the balance in the individual's Individual Pension Account is:

- a) transferred to an Approved Income Payment Plan of a Pension Fund Manager or
- b) paid to a life insurance/Takaful company for the purchase of an approved Annuity Plan or
- c) transferred to another individual pension account of the taxpayer maintained with any other Pension Fund Manager under change of Pension Fund Manager as specified in the Rules.

12.4 Zakat

Units held by resident Pakistani Participants shall be subject to Zakat at two and a half per cent (2.5%) of the par value of Units under Zakat and Ushr Ordinance, 1980, (XVII of 1980), except those exempted under the said Ordinance. Zakat will be deducted at source from the dividend amount or from the redemption/ withdrawal payment, and paid into the Government Treasury.

Disclaimer

The tax and Zakat information given above is based on the Pension Fund Manager's interpretation of the law which, to the best of the Pension Fund Manager's understanding, is correct but Participants are requested to seek independent advice from their tax advisors so as to determine the taxability arising from their Contributions to the Pension Fund.

13. REPORTS AND ACCOUNTS

13.1 Accounting Period of the Pension Fund

13.1.1 Accounting Period means a period ending on and including an Accounting Date or, if nearer, on and including the day on which the Net Assets of all the Sub-Funds becomes zero and commencing from and including the date of establishment of the Pension Fund or, if nearer, from and including the day after the last Accounting Date.

13.1.2 Accounting Date means the date 30th June in each year and any interim dates at which the financial statements of the Pension Fund are drawn up. Provided, however, that the Pension Fund Manager may, with the consent of the Trustee and after obtaining approval of the Commission, change such date to any other date.

13.2 Fund Accounts

13.2.1 The Pension Fund Manager shall prepare financial accounts and reports required under the Rules for each Sub-Fund of the Pension Fund as prescribed by the Commission, from time to time.

13.3 Reports

13.3.1 The Pension Fund Manager shall:

- (a) Within the stipulated terms as specified by the Commission from time to time at closing of the Accounting Period, prepare and transmit the annual report together-with a copy of the balance sheet, income and expenditure Account together-with the Auditor's Report for the Accounting Period, in respect of each Sub-Fund, to the Commission and Participants, in accordance with the Rules.
- (b) Within the stipulated terms as specified by the Commission from time to time at of the close of the first half of its Accounting Year of account, prepare and transmit to the Participants and the Commission a profit and loss account for and a balance sheet as at the end of that half year, whether audited or otherwise, in respect of each Sub-Fund, in accordance with the Rules.
- (c) Within a month of the close of the first and the third quarter, prepare and transmit a quarterly report to the Participants, the Trustee and the Commission, along with a profit and loss account and balance sheet as at the end of the pertinent quarter, whether audited or otherwise, in accordance with the Rules.

14. SERVICE TO PARTICIPANTS

14.1 Availability of Forms

All forms mentioned and/or included in this Offering Document will be available at all the Authorized Branches of the Distribution Companies, the Pension Fund Manager's web site and may also be requested via post. Sales Agents will also have limited stocks of such forms.

14.2 Register of Participants

14.2.1 The Pension Fund Manager shall perform the Registrar Functions directly or it may appoint a Registrar for such purpose, but in each case the responsibility for performing the Registrar Functions shall be that of the Pension Fund Manager itself. Where the Pension Fund Manager appoints a Registrar for performing the Registrar Functions, the Pension Fund Manager shall ensure that the Registrar complies with all relevant provisions of the Trust Deed and the Rules.

14.2.2 The Pension Fund Manager or, as the case may be, the Registrar shall maintain the Register at their respective registered office.

14.2.3 The Register shall be maintained in electronic form and be password protected. The Pension Fund Manager shall provide access or shall ensure that access is provided to the Register to all the Participants for viewing information pertaining to the Participants themselves. The Pension Fund Manager shall ensure that the record keeping system employed for maintaining the Register contains a computerized transaction log which records changes to each Participant's Individual Pension Account, who made them and when they were made. The Pension Fund Manager shall make or shall ensure that the Registrar shall make sufficient provision for taking regular back ups of the Register and for back up storage at an off-site location.

14.2.4 The Pension Fund Manager shall ensure that the Registrar shall at all reasonable times during business hours give the Trustee and its representatives access to the Register and to all subsidiary documents and records or certified copies thereof and to inspect the same with or without notice and without any charge. With the prior written approval of the Commission and under intimation to the Pension Fund Manager, the Trustee or its representative may remove the Register to a different location or make any entries therein or alterations thereto.

14.2.5 The Registrar shall, within three (3) working days of receiving a written request from any Participant, give to such Participant (whether by post, courier or through electronic means) details of such Participant's account in the Register. Such service shall be provided free of charge to any Participant so requesting once in any financial year. The

Pension Fund Manager may, with the approval of the Commission, prescribe charges for servicing any additional requests. The details of charges, if any, shall be disclosed in the Offering Document or in any Supplementary Offering Document from time to time.

14.2.6 The Register shall, in respect of each Participant, contain the information required by or under the Rules and shall, at the minimum, contain the following information:

- (a) registration number;
- (b) Individual Pension Account number;
- (c) full name, father's name, residency status, CNIC number (in respect of Pakistan nationals) or NICOP number (in respect of overseas Pakistanis), National Tax Number and addresses of Participant;
- (d) if the Participant is registered through an employer:
 - (i) employer's name;
 - (ii) registered address;
 - (iii) National Tax Number;
 - (iv) number of employees contributing in VPS; and
 - (v) employer's contact details;
- (e) date of birth and sex of the Participant;
- (f) complete record of the amount and date of each Contribution paid by the Participant;
- (g) complete record of the amount and date of each Contributions paid on behalf of the Participant by the employer;
- (h) date and amount of incoming and outgoing transfers to and from the Participant's Individual Pension Account;
- (i) the number of Sub-Fund Units allocated and held in the name of the Participant in the Individual Pension Account or balance of the Participant's Approved Income Payment Plan;
- (j) the date on which the name of the Participant was entered in respect of the Sub-Fund Units standing in his name;
- (k) tax/ Zakat status of the Participant;
- (l) nominee(s) of the Participant;
- (m) record of specimen signatures of the Participant and his nominee(s);
- (n) information on retirement of the Participant and the payments made or to be made thereupon or thereafter;
- (o) information on death of Participant and transfers made to the Participant's heirs; and
- (p) such other information as may be specified by the Commission or required by the Pension Fund Manager.

14.2.7 The Register shall be conclusive evidence as to the Units of Sub-Funds held in a Participant's Individual Pension Account or balances of the Participant's Approved Income Payment Plan.

- 14.2.8 Any change of address or status of any Participant shall forthwith be notified in writing to the Registrar who, upon being satisfied with the supporting evidence provided therefor, shall update the Register with the change.
- 14.2.9 The Participant or his nominee (in case of death of the Participant), as the case may be, shall be the only persons to be recognized by the Trustee, the Pension Fund Manager and the Registrar as having any right, title or interest in or to the Units held by the Participant and the Trustee. The Pension Fund Manager and the Registrar may recognize the Participant as the absolute owner thereof and shall not be bound by any notice to the contrary and shall not be bound to take notice of or to see to the execution of any trust, except where required by any court of competent jurisdiction.
- 14.2.10 Upon being satisfied that any Contribution has been received by the Trustee in cleared funds from any Participant, the Registrar shall, within one week (seven days) of the receipt of the Contribution, issue a receipt therefor together with an Account Statement that shall constitute evidence of the number of Sub-Fund Units or Individual Pension Account or Approved Income Payment Plan balances registered in the name of the Participant and shall contain such other information as may be prescribed by the Commission from time to time.
- 14.2.11 While making payment of the benefits from the Pension Fund to any Participant, the Pension Fund Manager shall ensure that adequate description of the reasons for the payment (for example, retirement, disability, death benefit) is mentioned in the Register.
- 14.2.12 The Pension Fund Manager shall ensure that the information on the Register shall remain accessible for three (3) years after the last amount in relation to the Pension Fund payable to the Participant, to any other pension fund manager nominated by the Participant to which the Individual Pension Account has been transferred or to any heirs or nominated survivors of the Participant, has been paid.

14.3 *Statement of Accounts*

Upon being satisfied that the Contribution to the Fund has been received, in full, from the Participants, the Registrar will send directly to each Participant Account Statement that will constitute evidence of the number of Sub-Fund Units or Individual Pension Account or periodic payment account balances registered in the name of the Participant.

The Registrar will issue an Account Statement, each time there is a transaction in the Individual Pension Account and it will be posted to the Participant within six (6) Business Days of each transaction.

15. FINANCIAL INFORMATION

(Auditors certificate on Investment of Seed Capital)

(Auditors certificate on NAV of each fund)

16. WARNINGS

INVESTMENT RISKS AND TAX IMPLICATION: All investments in HBL Islamic Pension Fund are subject to market risks. The value of such investments may depreciate as well as appreciate, subject to market fluctuations and risks inherent in all such investments. Participants should read the Offering Document carefully to understand the investment policies, risks and tax implications and should consult their legal, financial or tax advisors before making any investment decisions. Withdrawals from the Pension Fund before the retirement age are subject to tax under the provisions of the Income Tax Ordinance, 2001.

17. COMPLAINTS

If any complaint or dispute arises between a Participant and the Pension Fund Manager under the VPS Rules, it shall be referred to the Insurance Ombudsman appointed under Section 125 of the Insurance Ordinance, 2000. (XXXIX of 2000). The Insurance Ombudsman shall have all the powers and shall follow the procedures as required under PART XVI of the Insurance Ordinance, 2000.

17.1 Procedure for lodging a complaint with the Insurance Ombudsman

The procedure for lodging a complaint with the Insurance Ombudsman shall be as provided in Section 129 of the Insurance Ordinance, 2000 and reproduced below:

- (a) A complaint shall be made in writing, addressed to the Insurance Ombudsman. The complaint shall set out the full particulars of the transaction complained of and the name and address of the Participant (complainant).
- (b) Prior to making a complaint, the Participant (complainant) shall intimate in writing to the Pension Fund Manager his intention of filing a complaint and if the Pension Fund Manager either fails to respond, or makes a reply which is unsatisfactory to the complainant, within a period of one month, the Participant (complainant) may file a complaint, at any time thereafter, within a further period of three (3) months:

Provided that the Insurance Ombudsman may, if satisfied that there were reasonable grounds for the delay in filing the complaint, condone the delay and entertain the complaint.

- (c) The Insurance Ombudsman may adopt any procedure he considers appropriate for investigating a complaint.

Provided that he shall not pass any order against the Pension Fund Manager without first giving it a notice and an opportunity to be heard.

- (d) Subject to Section 128, the Insurance Ombudsman shall not have any power to issue an order in the nature of a stay order or to entertain any complaints if the matter is pending before a Court, Tribunal or other legal forum.
- (e) The Insurance Ombudsman may reject a complaint summarily or he may accept the same or pass any other order he deems fit.
Provided that in each case he shall pass a reasoned order for his decision.

- (f) The Federal Government may further prescribe rules for the conduct of proceedings in relation to complaints brought before the Insurance Ombudsman.

17.2 Contact Details of Office of Insurance Ombudsman

The Present Insurance Ombudsman and his contact details are as follows:

Mr. Justice(R) Syed Ali Aslam Jafri

Federal Insurance Ombudsman Office

6th Floor, State Life Building No. 2,

Wallace Road, off I.I Chundrigar Road,

Karachi.

Phone: 021-9211674; 021-9211698

Fax : 021-9213278-9

18. TRANSACTIONS WITH CONNECTED PERSONS

- 18.1.1 The Pension Fund Manager, on behalf of the Pension Fund, will not purchase from or sell any security to any of the Connected Persons.
- 18.1.2 No single connected stockbroker will account for ten per cent (10%) or more of the Pension Fund's brokerage or commission in any one financial year of the Pension Fund, except if permitted in writing by the Commission.
- 18.1.3 If cash forming part of the Pension Fund's assets is deposited with the Trustee or the Custodian, which is a banking company, return will be paid on the deposit by such Trustee or Custodian at a rate that is not lower than the rate offered by the said banking company to depositors of similar duration.

19. GENERAL INFORMATION

- 19.1 The Constitutive Documents of HBL Islamic Pension Fund are:
- (1) Trust Deed, dated August 17, 2011, executed between The Pension Fund Manager and the Trustee, constituting the Pension Fund and appointing the Trustee as trustee to the Pension Fund;
 - (2) Letter dated KA-AQ-727 dated December 1, 2011 from the Auditors confirming the subscription to the Seed Capital Units of HBL IPF the Pension Fund by the Seed investors thereof.

- (3) Consents of the Auditors, Legal Advisors, Shariah Advisors and Trustee to their respective appointments and having being named and described as such in this Offering Document.
- (4) Letter No. SECP/PW/Reg-06/HBL dated May 06, 2011 from the Commission registering the Pension Fund Manager as a pension fund manager under the Voluntary Pension System Rules.
- (5) Letter No. 9 (1) SEC/SCD/PW-HBLAM/105 dated July 27, 2011 from the Commission to the Pension Fund Manager, approving the Trustee to act as trustee of the Pension Fund under the Rules.
- (6) Letter No. No. 9 (1) SEC/SCD/PW-HBL-02/132 dated October 5, 2011 from the Commission to the Pension Fund Manager, authorizing Pension Fund under the Rules.
- (7) Letter No. No. 22 (1) SEC/SCD/PW-HBL-02/2011/165 dated December 02, 2011 from the Commission to the Pension Fund Manager approving this Offering Document under the Rules.

The Constitutive Documents concerning the HBL Islamic Pension Fund may be inspected at the registered office of the Pension Fund Manager at 8B, 8th Floor, Executive Tower, Dolmen City Building, Block 4, Clifton, Karachi, or at any other address which may be notified by the Pension Fund Manager to the general public through news papers.

19.2 Date of publication of this Offering Document

The date of publication of this Offering Document is December 12, 2011.

19.3 Statement of Responsibility

HBL ASSET MANAGEMENT LIMITED ACCEPTS RESPONSIBILITY FOR THE ACCURACY OF THE INFORMATION HEREIN CONTAINED AS OF THE DATE OF PUBLICATION.

20. TERMINATION OF THE PENSION FUND

20.1 TERMINATION AND LIQUIDATION OF THE TRUST

- 20.1.1 HBL AMC, subject to conditions of the Rules, the Trust Deed and approval of the Commission, may terminate the Pension Fund by giving at least three (03) months' notice, in writing, to the Participants, the Trustee and the Commission.
- 20.1.2 The Trust may also be terminated by the Commission on the grounds provided in the Rules.

- 20.1.3 The Trust Deed of the Pension Fund may be terminated in accordance with the conditions specified in the Rules if there is any breach of the provisions of the Trust Deed or any other agreement or arrangement entered into between the Trustee and the Pension Fund Manager regarding the Pension Fund. Both parties shall act in a manner that causes the least degree of inconvenience to the Participants and is the most cost efficient for the Pension Fund and the Pension Fund Manager.
- 20.1.4 Upon the Trust being terminated, The Pension Fund Manager will suspend the acceptance of registration, Contribution(s) and withdrawals, forthwith, and proceed to transfer all assets and liabilities and records of the Pension Fund and each Sub-Fund to another pension fund manager under a scheme of arrangement to be approved by the Commission.
- 20.1.5 The Pension Fund Manager shall ensure that accounts of the Pension Fund, till the day of the transfer to the new Pension Fund Manager, are audited by the Auditors of the Fund and the Audit and Trustee Report is submitted, within one month from the date of such appointment, to the Commission, the new pension fund manager and the Trustee. HBL AMC, with the approval of the Commission, will decide the cost of such interim audit and the same may be charged to the Pension Fund with the prior approval of the Commission.
- 20.1.6 The Trustee, subject to clauses 20.1.4 and 20.1.5, on the recommendation of HBL AMC and approval of the Commission, shall transfer all the assets and liabilities and records of the Pension Fund and each Sub-Fund, including Individual Pension Accounts of Participants, to the other Pension Fund managed by the other Pension Fund Manager.
- 20.1.7 Thereafter, the Pension Fund Manager shall proceed to dissolve the Pension Fund under the relevant law and in the court of jurisdiction.

21 GENERAL

- 21.1.1 Any notice required to be served upon a Participant shall be deemed to have been duly given if sent by post or courier service to or left at his address as appearing in the Register. Any notice so served by post shall be deemed to have been served on the day following that on which the letter containing the same is posted, and in proving such service it shall be sufficient to prove that such letter was properly addressed, stamped and posted.
- 21.1.2 In case a general notice is required to be served upon all the Participants, the Trustee or the Pension Fund Manager shall advertise any such notice in any leading daily newspapers in Pakistan having primary circulation in Karachi, Lahore and Islamabad. *The cost of issuing and publishing a general notice shall be charged to the Trust.*

- 21.1.3 Service of a notice or document on any employer shall be deemed effective service on all the Participants registered through that employer unless the Participant has given notice to the Pension Fund Manager that he is no longer in the employ of that employer.
- 21.1.4 Any notice or document sent by post or courier service to or left at the registered address of a Participant shall notwithstanding that such Participant be then dead or bankrupt and whether or not the Trustee or the Pension Fund Manager have notice of his death or bankruptcy be deemed to have been duly served and such service shall be deemed a sufficient service on all persons interested (whether jointly with or as claiming through or under him) in the Units registered in favour of that Participant.
- 21.1.5 A copy of this Offering Document, Trust Deed and of any deed supplemental hereto shall be made available for inspection at the respective head offices of the Trustee and the Pension Fund Manager at all times during usual Business Hours and shall be supplied by the Pension Fund Manager to any person on application at a charge disclosed in the Offering Document.

22. DEFINITIONS

Unless the context requires otherwise, in this Offering Document (including in its Recitals) the following words or expressions shall have the meaning respectively assigned to them below.:

- 22.1 “**Accounting Date**” means 30th June in each year; provided, however, that the Pension Fund Manager may, with the consent of the Trustee and after obtaining approval of the Commission, change such date to any other date;
- 22.2 “**Accounting Period**” means the period ending on and including an Accounting Date or, if nearer, on and including the day on which the Net Assets of all the Sub-Funds becomes zero and commencing from and including the date of establishment of the Pension Fund or, if nearer, from and including the day after the last Accounting Date;
- 22.3 “**Account Statement**” means statement of transactions in Units of each Sub-fund in the Individual Pension Account of the Participant, containing such information as may be prescribed by the Commission from time to time;
- 22.4 “**Allocation Schemes**” means the allocation schemes offered by the Pension Fund Manager from time to time in conformity with the Prescribed Allocation Policy issued by the Commission
- 22.5 “**Annuity**” means a series of payments of set frequency, sold primarily by Life Insurance Companies, with a primary goal to supplement retirement savings.
- 22.6 “**Anniversary Date**” means the Business Day following the completion of one full year from the opening of the Individual Pension Account with the Pension Fund Manager and thereafter the Business Day following completion of subsequent one full year.

- 22.7 **“Applicable Law”** means any common or customary law, constitutional law, any statute, regulation, resolution, rule, ordinance, enactment, judgment, order, code, decree, directive, notification, clarification, guideline, policy, requirement or other governmental restriction and any form or decision of or determination by or interpretation of any of the foregoing (whether or not having the force of law) by any Authority, now or hereafter in effect, in each case as amended, re-enacted or replaced to the extent applicable;
- 22.8 **“Approval”** means any consent, registration, filing, notarization, certificate, licence, approval (including foreign exchange control approval), permit, authority, confirmation or exemption from or by or with any national, supranational or regional government or administrative, fiscal, judicial or governmental body, commission, agency, authority, central bank or similar entity and all corporate, creditors’, shareholders’ and directors’ approvals or consents required for execution of this Offering Document and performance of the transactions contemplated herein;
- 22.9 **“Approved Annuity Plan”** has the meaning ascribed to it by Section 2(3A) of the Income Tax Ordinance, 2001;
- 22.10 **“Approved Employment Pension or Annuity Scheme”** means any employment related retirement scheme approved under the Income Tax Ordinance, 2001 which makes periodical payment to a beneficiary, i.e. pension or annuity such as approved superannuation fund, public sector pension scheme and Employees Old-Age Benefit Scheme.
- 22.11 **“Approved Income Payment Plan”** has the meaning ascribed to it by Section 2(3B) of the Income Tax Ordinance, 2001
- 22.12 **“Auditor”** means the person or firm appointed to be the auditor of the Pension Fund by the Pension Fund Manager with the consent of the Trustee, in accordance with the Trust Deed and the Rules and qualified under the provisions of Section 254 of the Companies Ordinance, 1984;
- 22.13 **“Authority”** means any governmental or judicial or quasi governmental or judicial authority empowered to administer, enforce, adjudicate or ensure compliance with Applicable Law;
- 22.14 **“Authorized Branch”** means those branches of the Distributors that from time to time have been authorized by the Pension Fund Manager under intimation to the Trustee to perform the Distribution Function, and whose addresses have been given in the Offering Document, or on the website of the Pension Fund Manager.
- 22.15 **“Authorized Investments”** means investments, whether listed or otherwise, transacted, issued or traded inside or outside Pakistan and as permissible under the Rules or under the Investment Policy prescribed by the Commission;
- 22.16 **“Bank”** means a banking company licensed under the Banking Companies Ordinance, 1962 or any other regulation for the time being in force or an institution providing banking services under the banking laws of Pakistan or, if operating outside Pakistan, under the banking laws of the jurisdiction of its operation outside Pakistan and having such minimum entity rating as may be prescribed by the Commission from time to time.
- 22.17 **“Bank Accounts”** means the collection and disbursement account(s) in which the Contributions are received and payments are made from and the account(s) of each Sub-

Fund, the beneficial ownership of which vests in the relevant Participants and for which the Trustee has been appointed as trustee under the Trust Deed;

22.18 “Business Day” means any day of the week but does not include any day which is a gazetted Government of Pakistan holiday or on which day State Bank of Pakistan is closed for business in Pakistan.

22.19 **“Business Hours”** means such dealing periods on each Business Day, as may be determined by the Pension Fund Manager.

22.20 **“Charity”** means the amount paid by the Pension Fund Manager out of the income of the Trust to a charitable/ welfare organization, in consultation with the Shariah Advisor, representing income, which is Haram.

22.21 “Commission” means the Securities and Exchange Commission of Pakistan established under the Securities and Exchange Commission of Pakistan Act, 1997 (Act No.XLII of 1997);

22.22 **“Connected Person”** means each of the following in relation to the Pension Fund Manager:

(a) any person or company beneficially owning, directly or indirectly, ten per cent (10%) or more of ordinary share capital of the Pension Fund Manager, or being able to exercise, directly or indirectly, ten per cent (10%) or more of the total voting power in the Pension Fund Manager;

(b) any person or company controlled by a Connected Person under the meaning of sub-clause (a);

(c) any member of the group of which the Pension Fund Manager forms part; or

(d) any director, officer and employee of the Pension Fund Manager or of any of their Connected Persons as specified in sub-Clauses (a), (b) and (c) or any body providing service or exercising power of the Pension Fund Manager;

provided that the words “director”, “officer” and “employee” shall include their spouse, lineal ascendants and descendants, brothers and sisters;

22.23 **“Constitutive Document”** means the principal document governing the formation of the Pension Fund, and includes the Trust Deed, this Offering Document and all material agreements;

22.24 **“Contribution”** means an amount as may be voluntarily determined by a Participant or prospective Participant, payable annually, semi-annually, quarterly, monthly or with any other frequency to the Pension Fund and held in one or more Individual Pension Accounts of the Participant;

22.25 **“Contribution Date”** has the meaning ascribed to it in Clause 7.2.2;

- 22.26 **“Custodian”** means a Bank, a central depository company or any other depository for the time being appointed by the Trustee to hold and protect the Trust Property or any part thereof as custodian or nominee on behalf of the Trustee; provided that the Trustee may also itself provide custodial services for the Fund;
- 22.27 **“Dealing Day”** means every Business Day on which dealing in the Pension Fund is conducted as disclosed in the Offering Document, provided that the Pension Fund Manager may with the prior written consent of the Trustee and upon giving not less than seven days notice in the newspapers declare any particular Business Day not to be a Dealing Day;
- 22.28 **“Deed” or “Trust Deed”** means the trust deed, signed between the Pension Fund Manager and the Trustee.
- 22.29 **“Default Allocation Scheme”** means the default asset allocation scheme as determined by the Pension Fund Manager in conformity with the Prescribed Allocation Policy for allocating between the Sub-Funds the Contributions received from Participants who have not themselves selected any Allocation Scheme;
- 22.30 **“Distributor” or “Distribution Company”** means a company, firm or bank appointed by the Pension Fund Manager under intimation to the Trustee for performing any or all of the Distribution Functions, and shall include the Pension Fund Manager itself, if it performs the Distribution Function ;
- 22.31 **“Distribution Function”** means the functions with regard to:
- (a) receiving applications and payment instruments for the issue of Units, in the name of the Trustee, from the Participants;
 - (b) issuing receipts in respect of (a) above;
 - (c) interfacing with and providing services to the Participants including receiving withdrawal / transfer to / from other Pension Fund Manager(s), applications for redemption, forwarding transfer applications and applications for change of address or any other status, instructions, in writing, of any kind or any other information for immediate transmission to the Pension Fund Manager or the Registrar, as appropriate; and
 - (d) accounting to the Pension Fund Manager for (i) payment instruments received from Participants for issuance of Units in a Sub-Fund; and (ii) payments instruments delivered to the Participants on redemption of Units in the sub-fund.
- 22.32 **“Eligible Person”** means any person who qualifies the eligibility criteria under the Rules in respect of persons who can make contributions to pension funds authorized under the Rules;
- 22.33 **“Formation Costs”** means all preliminary and floatation expenses of the Pension Fund and shall include expenses in connection with authorization of the Pension Fund, execution and registration of the Constitutive Documents, issue, circulation and publication of the Offering Document and legal costs but shall not include any marketing,

sales, promotion, education, communication or any form of advertisement costs; and shall not exceed 0.5% of the Seed Capital of each Sub-Fund or Rs.750, 000/- in total which ever is less.

- 22.34 “**Front-end Fee**” means the front-end fee payable to the Pension Fund Manager from the Contributions received, before allocation of Units of the Sub-funds, as remuneration, as per the Trust Deed and the Offering Document;
- 22.35 “**Guidelines**” means various guidelines, including instructions and handouts issued by the Commission to be followed or implemented by the Pension Fund Manager, the Trustee and other persons connected with the Fund in relation to various matters under the Rules;
- 22.36 “**Haram**” means anything prohibited by the Islamic Shariah.
- 22.37 “**Income Payment Plan**” means a plan constituting an agreement with the Pension Fund Manager after retirement enabling withdrawal of the remaining amount in any Individual Pension Account in monthly installments till the age of seventy-five (75) years or as allowed under the Rules;
- 22.38 “**Individual Pension Account**” means a distinct account being maintained in the name of each Participant by the Pension Fund Manager to record the Participant’s investment in the Pension Fund and the Units of the Sub-Funds issued thereagainst, including appreciations thereof;
- 22.39 “**Investment**” means any Authorized Investment forming part of the Trust Property of any Sub-fund;
- 22.40 “**Investment Policy**” means the investment policy from time to time determined by the Commission under the Rules;
- 22.41 “**Launch Date**” means the date, as may be determined by the Pension Fund Manager, from which the HBLIslamic Pension Fund shall be offered to the Participants for continual Contribution dealing.
- 22.42 “**Life Insurance Company**” means a company registered under the Insurance Ordinance, 2000 (XXXIX of 2000), to transact life insurance business, and includes the State Life Insurance Corporation of Pakistan;
- 22.43 “**Net Assets**” means, in relation to a Sub-Fund, the excess of assets over liabilities of the Sub-Fund, such excess being computed in the manner specified in the Rules or as may be specified by the Commission from time to time;
- 22.44 “**Net Asset Value**” or “**NAV**” means, in relation to Units of a Sub-Fund, per Unit value of the Sub-Fund, arrived at by dividing the Net Assets of the Sub-Fund by the number of outstanding Units of the Sub-Fund, on the basis indicated in the Rules or as may be specified by the Commission from time to time, which shall constitute the price at which the Units of each Sub-fund shall be issued and the price at which the Units of each Sub-fund shall be redeemed;
- 22.45 “**Offering Document**” means the prospectus or other document issued by the Pension Fund Manager with consent of the Trustee and approved by the Commission, which

contains the investment and allocation policies and all other information in respect of the Pension Fund as required by the Rules and the Trust Deed and which is circulated to invite offers by the public to contribute to the Pension Fund;

- 22.46** “**Ordinance**” means the Companies Ordinance, 1984;
- 22.47 “**Participant**” means any Eligible Person who opens an Individual Pension Account with the Pension Fund Manager and who makes one or more Contributions or on whose behalf one or more Contributions are made into the Pension Fund;
- 22.48 “**Pension Fund**” means the same as is defined in VPS Rules 2005.
- 22.49 “**Pension Fund Manager**” means HBL Asset Management Limited or any pension fund manager , duly authorized by the Commission to efficaciously manage the Contributions made by or on behalf of Participants in Pension Fund under Clause 9, and includes the successors-in-interest and assigns of the Pension Fund Manager;
- 22.50 “**Prescribed Allocation Policy**” means the allocation policy as prescribed by the Commission from time to time under the Rules;
- 22.51 “**Prescribed Application Form**” means a form approved by the Commission from time to time for opening an Individual Pension Account and collecting other information from Participants;
- 22.52 “**Records**” include ledgers, day books, cash books and all other manuals or magnetic records used in the business of a Pension Fund Manager;
- 22.53 “**Register**” means the register of Participants kept pursuant to the Rules and the Trust Deed;
- 22.54 “**Registrar**” means an organization that the Pension Fund Manager appoints for performing the Registrar Functions and, if no such organization is performing such functions, it shall mean the Pension Fund Manager;
- 22.55 “**Registrar Functions**” means the functions with regard to:
- (a) maintaining the Register as per the Rules, the Trust Deed or as may be prescribed by the Commission from time to time;
 - (b) processing requests for opening of Individual Pension Account, issue, withdrawal, transfer and transmission of Units and requests for recording changes in data / information / particulars with regard to the Participants or that of their survivors or nominees;
 - (c) issuing statements of account in respect of Individual Pension Account to Participant;
 - (d) such other functions as may be required under the Rules with respect to record keeping; and

- (e) such other functions as are required under the Trust Deed to be carried out by the Registrar;
- 22.56 “**Retirement Age**” means any age between sixty and seventy years or such age as may be prescribed in the Rules from time to time, which the Participant selects for retirement, in accordance with the provisions of the Rules;
- 22.57 “**Retirement Date**” means the date on which the retirement of a Participant from the Pension Fund becomes effective;
- 22.58 “**Rules**” means the Voluntary Pension System Rules, 2005, and includes all Guidelines issued, directions given, regulations and interpretations made and conditions imposed (either specifically in relation to the Pension Fund or generally) by the Commission thereunder from time to time;
- 22.59 “**Sales Agent**” means an individual, firm, corporate or other entity appointed by the Pension Fund Manager to identify, solicit and assist Eligible Persons to become Participants and make Contributions. The Pension Fund Manager shall compensate Sales Agents out of the Front-end Fee received by the Pension Fund Manager;
- 22.60 “**Seed Capital Units**” shall mean such Units of any Sub-Fund that are issued to the Seed Investors with the condition that they are not redeemable, transferable or tradable for a period of three (3) years from the date of issue or as may be determined by the Commission. Save for this restriction, Seed Capital Units shall all rank pari passu with all other Units;
- 22.61 “**Seed Investors**” of the Pension Fund shall be such initial investors, which may include the Pension Fund Manager, whose subscription shall in aggregate be in compliance of the requirements of Rule 9(3) (b) of the Rules. The Seed Investors shall be issued with Seed Capital Units representing their subscription;
- 22.62 “**Shariah**” or “**Islamic Shariah**” means divine guidance as given by the Holy Quran and the Sunnah of Prophet Muhammad (Peace Be Upon Him) and embodies all aspects of the Islamic Faith, beliefs, practices, rules and principles;
- 22.63 “**Shariah Advisor**” means an Islamic Financial Institution, an Islamic scholar or a body of Islamic scholars, having knowledge of Islamic finance, considered to be expert(s) in Islamic Shariah to be appointed and/or replaced in its place by the Pension Fund Manager from time to time with the consent of the Commission for seeking advice regarding compliance with the principles of Islamic Shariah and for monitoring the operations, management and investments of the Fund;
- 22.64 “**Shariah Compliant**” shall mean any activity that is in accordance with Islamic Shariah;
- 22.65 “**Stock Exchange**” means Karachi Stock Exchange, Lahore Stock Exchange and Islamabad Stock Exchange or any other stock exchange registered under the Securities and Exchange Ordinance, 1969;
- 22.66 “**Sub-Fund**” means a collective investment sub-scheme of a specified investment class and / or Investment Policy set up under and as part of the Pension Fund in accordance with Clause 6.6 and shall include the three initial Sub-Funds named therein and any new Sub-Fund launched as per the Rules. Trust Property shall be accounted for and segregated with respect to each Sub-Fund;

- 22.67 **“Supplementary Offering Document”** means a document issued by the Pension Fund Manager, in consultation with the Trustee after obtaining the approval of the Commission, describing the special features of the Pension Fund including any Sub-Funds and inviting Contributions in the Pension Fund;
- 22.68 **“Supplementary Trust Deed”** means a supplemental deed executed between the Pension Fund Manager and the Trustee, with the approval of the Commission, describing any amendments made to the Trust Deed. Such Supplementary Trust Deed shall be binding on each Participant, as if he is party to it and so to be bound by its provisions;
- 22.69 **“Takaful Company”** means any General Takaful or Family Takaful Company as defined in the Takaful Rules, 2005;
- 22.70 **“Tax”** means all forms of taxation and statutory, governmental, state, federal, provincial, local, government or municipal charges, duties, imposts, contributions, levies, withholdings or liabilities wherever chargeable and whether of Pakistan or any other jurisdiction and any penalty, fine, surcharge, interest, charges or costs relating thereto;
- 22.71 **“Tax Year”** shall have the same meaning as ascribed under the Income Tax Ordinance, 2001 (Ordinance No.XLIX of 2001);
- 22.72 **“Trust Deed”** means the Trust Deed described in Clause 1, as amended from time to time by any Supplementary Trust Deed;
- 22.73 **“Trust Property”** means the aggregate proceeds credited in the Pension Fund including the Contributions and seed capital received from Seed Investors of each Sub-Fund after deducting therefrom or providing thereout any applicable Front-end Fee and any other expenses chargeable to the Pension Fund including each Sub-Fund and includes the Investments and all income, profit and other benefits arising therefrom and all cash, bank balances 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 Participants pursuant to the Trust Deed and this Offering Document;
- 22.74 **“Trustee”** means Central Depository Company of Pakistan Limited or any new trustee appointed as per the Trust Deed and the VPS Rules and includes the successors-in-interest and assigns of the Trustee;
- 22.75 **“HBL Islamic Pension Fund”, “Pension Fund”, “HBL IPF” or “Trust”** means the pension fund constituted under the Trust Deed and the Rules and made up of the Sub-Funds;
- 22.76 **“Unit”** means one undivided share in the Sub-Fund to which the share pertains, and where the context so indicates, includes a fraction of a Unit; and
- 22.77 **“Zakat”** has the same meaning as in the Zakat and Ushr Ordinance, 1980.

23 INTERPRETATION

In this Offering Document, unless the context shall otherwise require:

- (a) a reference to any legislation or legislative provision includes any statutory modification or re-enactment of, or legislative provision substituted for, and any subordinate legislation under, that legislative provision;
- (b) the singular includes the plural and vice versa;
- (c) a reference to an individual or person includes a company, firm, trust, Authority or government and vice versa;
- (d) a reference to any gender includes all genders;
- (e) a reference to a Recital, Clause or Annexure is to a Recital, Clause or Annexure of or to this Offering Document;
- (f) a Recital or Annexure forms part of this Offering Document;
- (g) a reference to any agreement or document is to that agreement or document (and, where applicable, any of its provisions) as amended, novated, restated or replaced from time to time;
- (h) a reference to any party to this Offering Document or any other document or arrangement includes that party's executors, administrators, successors, permitted substitutes, permitted transferees and permitted assigns;
- (i) where an expression is defined, another grammatical form or variation of that expression has a corresponding meaning;
- (j) a reference to any "Account" or "account" includes any renewal, redenomination, redesignation or sub-account thereof;
- (k) "include", "includes" and "including" shall be respectively construed as "include without limitation", "includes without limitation" and "including without limitation", and all derivative terms shall be construed accordingly; and
- (l) words "written" or "in writing" include printing, engraving, lithography, or other means of visible reproduction.

24 HEADINGS

In this Offering Document, headings are for convenience of reference only and do not affect interpretation.

Annexure A

“Certificate of Registration as Pension Fund Manager”

Annexure B
“Authorization”

Annexure C

“Letter from the SECP, Approving the appointment of the Trustee”

Annexure D

“Letter from the SECP, authorizing the Pension Fund Manager to register the Trust Deed”

Annexure E
"Distribution Details"

Annexure F
“Registration Form”

Annexure G

“Employer and 3rd Party Contributor Form”

Annexure H

“Pension Contribution Slip”

Annexure I
“Withdrawal and Transfer Form”

Annexure J
“Account update form”

Annexure K
"Trustee tariff of Charges"