2nd Supplementary Offering Document of HBL Islamic Financial Planning Funds (HBL-IFPF)

Managed by HBL Asset Management Limited, an asset management company registered under Non-Banking Finance Companies (Establishment and Regulation) Rules 2003.

SECP has approved this Supplementary Offering Document vide its letter No: SCD/AMCW/HBLAML/HIFPF/24/2018 dated July 11, 2018, under regulation 54 of NBFC Regulations 2008. It must be clearly understood, that in giving this approval, SECP does not take any responsibility of the financial soundness of the Plan nor for the accuracy of any statement made in this Supplementary Offering Document.

1. Introduction

Under HBL-IFPF, HBL AML shall provide a new allocation plan, namely HBL Islamic Capital Preservation Plan (HBL-ICPP).

This new allocation plan shall provide investors a means to earn potentially high returns while aiming to preserve their initial principal investment. This allocation plan shall utilize the dynamic asset allocation strategy of Constant Proportion Portfolio Insurance (CPPI) and allocate to Shariah Compliant Money Market Funds or Shariah compliant saving accounts and term deposits and Shariah Compliant Equity Mutual Funds in the following indicative percentages:

Allocation Plan	Shariah Compliant Equity Scheme(s) Category	Shariah Compliant Money Market Scheme(s) Category	Shariah compliant bank deposits in Islamic Banks / Islamic Windows of Banks
HBL Islamic Capital Preservation Plan	0% - 50%	0% - 100%	0% – 100%

2. Investment Objective of – HBL Islamic Capital Preservation Plan (HBL-ICPP)

The objective of HBL Islamic Capital Preservation Plan (HBL- ICPP) is to earn a potentially high return through dynamic asset allocation between Shariah Compliant Equities and Shariah Compliant Money Market based Collective Investment Schemes, Shariah compliant saving accounts and term deposits while aiming providing capital preservation on the initial amount excluding front end load upon maturity of the allocation plan.

3. Benchmark:

The Benchmark of Islamic Capital Preservation Plan in the Fund will be the weighted average daily return of:

a. KMI30 index.

b. Six (6) months average deposit rates of three (3) AA- rated scheduled Islamic banks or Islamic windows of conventional banks as selected by MUFAP.

c. Three (3) months average deposit rates of three (3) AA rated scheduled Islamic banks or Islamic windows of conventional banks as selected by MUFAP.

based on actual proportion of investment in Islamic Dedicated Equity Fund, Shariah compliant saving accounts and term deposits and Islamic Money Market Funds / cash and near cash instruments.

4. Investment Policy

4.1 The allocation plan will be dynamically allocated between the Equity Component and Fixed Income/Money Market Component at pre-defined Intervals by using the Constant Proportion Portfolio Insurance (CPPI) Methodology.

4.2 The Equity component shall be invested in Dedicated Islamic Equity Scheme managed by HBL AML and also other Asset Management Companies subject to prior approval of Shariah advisor. The Fixed Income/Money Market/Capital Preservation segment shall be invested in Islamic Money Market Scheme(s) managed by HBL AML or any other Asset Management Company as well as in Cash at Bank Accounts (including TDRs) of Islamic Banks and licensed Islamic Banking windows of conventional Banks.

4.3 Initially, the Management Company may seek to invest in the following Collective Investment Schemes:

Categories of Collection Investment Schemes*	
HBL Islamic Money Market Fund	HBL Islamic Dedicated Equity Fund (IDEF)

4.4 The Management Company may invest or disinvest in/ from Collective Investment Schemes (CIS) mentioned in clause 4.3 above. The Management Company may also invest in any other Collective Investment Schemes available to it with the prior approval of the SECP and Shariah advisor.

4.5 The Islamic Capital Preservation Plan will invest in following asset classes:

Asset Class/Scheme	Entity/ Instrument Rating	Minimum exposure	Maximum exposure
Dedicated Shariah Compliant Equity / Equity Index Schemes	N/A	0%	50%
Shariah Compliant money market scheme	N/A	0%	100%
Shariah Compliant Savings Accounts & Term Deposits with Banks and licensed Islamic Banking windows of conventional Banks	AA- and Above	0%	100%

4.6 The dynamic asset allocation is aimed at providing higher returns through participation in Shariah Compliant Equity CIS while aiming to preserve the downside risk of principal erosion through participation in Shariah Compliant Money Market CISs and Cash at Bank Accounts (including TDRs) of Islamic Banks and licensed Islamic Banking windows of conventional Banks.

4.7 The allocation between the Equity Component and the Fixed Income/Money Market Component will vary depending upon changes in the value of the allocation plan. As per the CPPI Methodology, allocation to Equity Component will generally increase in the case where equity markets are rising to provide higher returns, while allocation to the Fixed Income/Money Market Component will generally increase if the equity markets decline to provide downside protection.

4.8 The Management Company, based on the allocation plan's performance and outlook of the market may at its discretion lock-in certain percentage of the profits (if any) from the Equity Component by realizing profits. The profits realized in this manner, shall be used by increasing the allocation to the Fixed Income/Money Market Component.

4.9 If on any Business Day, or in case of a non-Business Day, the next immediate Business day, the value of the allocation plan falls to a level that it triggers the Bond Event, the entire Net Assets of this allocation plan will be allocated to the Fixed Income/ Money Market/ Capital Preservation Segment, within 3 Business Days following the date of occurrence of the aforementioned event(s), so as to ensure capital preservation to those Unit Holders who have held their investments till completion of the Initial Maturity of the allocation plan.

4.10 Subsequent to occurrence of the event(s) specified in Clause 4.9, there shall be no further allocation to the Equity Component till the remaining Initial Maturity of this allocation plan.

5. Changes in Investment Policy

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

6. Capital Preservation

6.1 Capital Preservation is provided through the investment structure of the allocation plan and CPPI methodology and not through any undertaking or guarantee by the Management Company or the Trustee.

6.2 Capital Preservation means that the net realizable value of investment at the maturity of the allocation plan should not fall below the principal investment paid by the Unit Holder subject to clause 6.1 above, only if the investment is held for a minimum duration as specified in the basic allocation plan features.

6.3 The Principal preservation may not be available before Initial Maturity of the allocation plan.

6.4 Capital Preservation will not be valid if Units of the allocation plan are redeemed before the completion of the Initial Maturity of this allocation plan.

6.5 The allocation plan shall be closed for new subscriptions after the close of the subscription period.

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

6.7 The capital of the allocation plan is protected only in terms of the base currency i.e. the Pakistani Rupee. In addition, the capital preservation is only valid in terms of the current tax and legal environment of Pakistan and is subject to force majeure factors such as bankruptcy of an investment grade or above rated institution.

7. Basic features of HBL-ICPP

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

Subscription Period: The allocation plan will be open for subscription from **July 19, 2018 to August 31, 2018**, both days inclusive. Subscription for the allocation plan is for limited time period only. Only Class "B" Units shall be issued to investors at the Offer Price, during the subscription period. The units shall be subject to a Front-end and a Back-end Load/Contingent Load. Bonus units issued shall be only Growth units.

Current Level of Management Fee

A management fee of 1% p.a. of the net assets will be charged if the plan's assets are invested in cash or near cash asset class including bank deposits with Islamic Banks or Islamic windows of Commercial Banks or Ijara Sukuk, etc.

* No Management Fee will be charged if the Fund invests in CIS managed by the Management Company.

Front-End Load: Up to 2.00%*

Management Company may waive the Front-end Load fully or partially at its own discretion to any investor.

Note: 0% - 1.5% Front-End load may be charged where Transactions are done online or through website of the AMC as per SECP Circular No. 27 of 2017.

Back-End Load: Nil

Contingent Load: Applicable in case of redemption of units before the Plan's maturity.

Description	Load
From Investment till 1 year	1.0% of NAV
After 1 year till the initial maturity	0.5% of NAV

8. Rebalancing of Allocation Plan

Rebalancing of HBL-ICPP shall be based on the CPPI methodology. Subsequent to the initial asset allocation, the dynamic allocation mechanism will reallocate the allocation plan's Net Assets on weekly basis or where portfolio value of CIS decline 5% from previous rebalancing, whichever falls earlier.

9. Bank Accounts

Clause 3.13.1. of the Offering Document of HBL-IFPF pertaining to 'Bank Accounts' apply to HBL-ICPP except for:

Clause 3.13.1 (a) which shall apply for HBL-ICPP as under:

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

10. Purchase of Units

Clause 4.3 of the Offering Document of HBL-IFPF pertaining to 'Procedure for Purchase of Units' apply to HBL-ICPP except for Clause 4.3.4 (b) which shall apply as under:

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

For Islamic Capital Preservation Plan:

"MCBFSL Trustee - HBL Islamic Financial Planning Fund – Islamic Capital Preservation Plan" or "MCBFSL Trustee – HBL IFPF – ICPP"

11. Risk Control in the Investment Process

a. The Management Company shall ensure that effective risk control measures are in place for the protection of the Unit Holders' interests.

b. The objective of the risk control process is to endeavor to monitor and manage the various types of risks, including market risks, credit risks and operational risks, with a view to achieving the investment objective of the allocation plan.

c. Exposure to the Equity Component shall be determined by a Multiplier, which shall be selected based on the Management Company's outlook on the economy, the equity market and any other factor considered important by the Management Company towards effective discharge of its duties under the Regulations and this Supplementary Offering Document.

d. Based on a change in factors mentioned above, the Management Company may, at its discretion, change the Multiplier at a later date in accordance with the following table as defined in Circular 17 of 2015.

Cushion Value Percentage	Maximum Multiplier
0 to 2.5%	0
2.6%to 5.0%	2
5.1% and above	4

12. Risk Disclosure

Investors must realize that all investments in mutual Funds and securities are subject to market risks. Our target return / dividend range cannot be guaranteed and it should be clearly understood that the portfolio of the Fund is subject to market price fluctuations and other risks inherent in all such investments. The risks emanate from various factors that include, but are not limited to:

1) Equity Risk - Companies issue equities, or stocks, to help finance their operations and future growth. The Company's performance outlook, market activity and the larger economic picture influence the price of a stock. Usually when the economy is expanding, the outlook for many companies is good and the stock prices may rise and vice versa.

2) Government Regulation Risk - Government policies or regulations are more prevalent in some securities and financial instruments than in others. Funds that invest in such securities may be affected due to change in these regulations or policies, which directly or indirectly affect the structure of the security and/or in extreme cases a governmental or court order could restrain payment of capital, principal or income.

3) Credit Risk - Credit Risk comprises Default Risk and Credit Spread Risk. Each can have negative impact on the value of the income and money market instruments including Sukuk etc.

- ***Default Risk*** - The risk that the issuer of the security will not be able to pay the obligation, either on time or at all;

- ***Credit Spread Risk*** - The risk that there may be an increase in the difference between the return/ markup rate of any issuer's security and the return/markup rate of a risk free security. The difference between this return/mark up rates is called a "credit spread". Credit spreads are based on macroeconomic events in the domestic or global financial markets. An increase in credit spread will decrease the value of income and including money market instruments;

4) Price Risk - The price risk is defined as when the value of the Fund, due to its holdings in such securities rises and falls as a result of change in interest rates.

5) Liquidity Risk – Liquidity risk is the possibility of deterioration in the price of a security in the

Fund when it is offered for sale in the secondary market.

6) **Settlement Risk –** At times, the Fund may encounter settlement risk in purchasing / investing and maturing / selling its investments which may affect the Fund's performance etc.

7) **Reinvestment Rate Risk –**In a declining interest/ markup rate economic environment, there is a risk that maturing securities or coupon payments will be reinvested at lower rates, which shall reduce the return of the Fund compared to return earned in the preceding quarters.

8) **Events Risk -** There may be adjustments to the performance of the Fund due to events including but not limited to, natural calamities, market disruptions, mergers, nationalization, insolvency and changes in tax law.

9) **Redemption Risk -** There may be special circumstances in which the redemption of Units may be suspended or the redemption payment may not occur within six working days of receiving a request for redemption from the investor.

10) **Shariah non-compliance Risk:** The risk associated with employing funds in investments that are not consistent with the principles of Shariah**.**

11) **Distribution Taxation Risk:** Dividend distribution may also be liable to tax because the distributions are made out of the profits earned by the Fund, and not out of the profits earned by each Unit holder. Unit holders who invest in a fund before distribution of dividends may be liable to pay tax even though they may not have earned any gain on their investment as return of capital to investors upon distribution is also taxable.

12) **Plan Specific Risks**

a. Capital preservation will not be valid if Units of the allocation plan are redeemed before its Initial Maturity.

b. There exists the risk that in case of a Bond Event there is no risk free CIS available for the allocation plan to invest in that offers the same yield as required for capital preservation at maturity.

c. The performance of the allocation plan may be affected by changes in risk associated with trading volumes, liquidity and settlement systems in equity and debt markets.

d. Unit Holders are not being offered any guaranteed returns.

e. The CPPI Methodology shall be used for capital preservation. In the event the methodology does not accurately evaluate and determine a suitable asset allocation pattern or the structure of portfolio, this may impact the ability of the allocation plan to provide capital preservation upon its Initial Maturity.

f. The allocation plan, in its endeavor to seek capital preservation, may allocate the entire portfolio to underlying investments in the Fixed Income/Money Market Component and Units of the allocation plan may remain invested in such investments for the entire/remaining tenure of the allocation plan without any participation in the equity component.

g. At times of high volatility in the equity markets or any other circumstances, it may not be possible to carry out the portfolio rebalancing. In such a case, the reallocation may take place on the next business day or on a business day as deemed appropriate by the Management Company. Such circumstances may affect the allocation plan's ability to seek capital preservation.

h. As the allocation of portfolio changes from Equity to full Fixed Income/Money Market Component consequent to steep fall in equity markets, there may be no participation in subsequent upward movement in the equity component while the allocation plan remains invested entirely in the Fixed Income/Money Market component.

i. If the allocation plan for any reasons as determined by the Management Company is terminated, the NAV of the allocation plan will be subject to fluctuations in its asset value. The Net Asset Value, in this case, may be lower or higher than the Initial Investment Value. The Management Company will refund investors their investment in the allocation plan based on the NAV per Unit after deducting bank and administrative charges (if any). Capital preservation in this case might not be valid.

j. There may be times when a portion of the investment portfolio of the allocation plan is not compliant either with the investment policy or the minimum investment criteria of the assigned 'category'. This non-compliance may be due to various reasons including, adverse market conditions, liquidity constraints or investment – specific issues. Investors are advised to study the latest Fund Manager Report specially portfolio composition and financial statements of the Scheme to determine what percentage of the assets of the Scheme, if any, is not in compliance with the minimum investment criteria of the assigned category. The latest monthly Fund Manager Report as per the format prescribed by Mutual Funds Association of Pakistan (MUFAP) and financial statements of the Scheme are available on the website of the Management Company and can be obtained by calling / writing to the Management Company.

13. Warning and Disclaimer

a) Warning

i. In case of any apprehension regarding the contents of this Supplementary Offering Document, consultation of the bank manager, Shariah / legal / financial advisor is advised.

ii. The price of the Units of this Allocation Plan and the income of this Allocation Plan (from which distributions to Unit Holders is made) may increase or decrease. Investment in this Fund is suitable for investors who have the ability to take the risks associated with financial market investments. Capital invested in the financial markets could in extreme circumstances lose its entire value. The historical performance of this Fund, other Funds managed by the Management Company, the financial markets, or that of any one security or transaction included in the Fund's portfolio will not necessarily indicate future performance.

b) Disclaimer

i. The units of the allocation are not bank deposits and are neither issued by, insured by, obligation of, nor otherwise supported by SECP, any Government Agency, Trustee (except to the extent specifically stated in this Supplementary Offering Document) or any of the shareholders of the Management Company or any other bank or financial institution. The portfolio of the allocation plan is subject to market risks and risks inherent in all such investments.

ii. The allocation plan's target return/ dividend range cannot be guaranteed. The allocation plan's unit price is neither guaranteed nor administered/ managed; it is based on the NAV that may go up or down depending upon the factors and forces affecting the capital markets and interest rates.

14. Takaful

The Management Company may provide Takaful coverage to HBL ICPP investors after seeking consent from the Trustee and approval from the Commission and Shariah Advisor. Terms and Conditions of Takaful coverage shall be posted on HBL AML's website.

Definitions:

"Bond Event" means a trigger point, whereby allocation plan's Net Assets is about to hit or actually hits the Bond Floor, which if reached will cause the allocation plan's Net Assets to be invested hundred percent (100%) in Fixed Income/ Money Market Component till the remaining Initial Maturity of the allocation plan. From thereon, there shall be no further exposure in the Equity Component of the allocation plan.

"Bond Floor" means the present value of the Initial allocation plan size (adjusted for redemptions, if any, during the term of the allocation plan and inclusive of any Front-end Load). It can be defined as the minimum value the allocation plan should have on a given day, to be able to provide capital preservation of the Initial Investment Value, if investments are held till completion of the duration of allocation plan. The Bond Floor value shall be calculated using yield of any authorized investment(s) from the Fixed Income/ Money Market Component of the allocation plan, that potentially yields a return higher than or at least equal to the yield required to provide capital preservation to the Unit Holders, subject to clause 5.1 at completion of the Initial Maturity of allocation plan.

"CPPI Methodology" is an internationally recognized, dynamic asset allocation methodology comprising of a versatile and flexible framework that allocates the allocation plan's Net Assets between Equity and Debt instruments in a way that the exposure to equity is increased as allocation plan's Net Assets increases and reduced as allocation plan's Net Assets declines, while simultaneously aiming to provide capital preservation at completion of the duration of the allocation plan.

"Capital Preservation" means that the investment strategy of the Plan is such that the Net Realizable

Value of investment should not fall below the Initial Investment Value, subject to the Offering Document, and if the Units are held till twenty four months. The Management Company envisages the provision of Capital Preservation through the use of the Constant Proportion Portfolio Insurance (CPPI) Methodology.

"Contingent Load" means Load payable by the Unit Holder if Units are redeemed by any Unit Holder in such period of time that the Management Company believes may adversely affect the interest of other Unit Holder(s). Any Contingent Load received will form part of the Fund Property.

"Equity Component" means the portion invested in Shariah Compliant Equity Schemes.

"Fixed Income and Money Market Components" means the portion invested in Shariah Compliant Money market Funds, Shariah Compliant Saving Accounts, and Term Deposits.

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

"Multiplier" is a measure of risk applied to the Plan's Net Assets, to determine the amount of Net Assets to be allocated to the Equity Component. A higher Multiplier means greater allocation to Equity Component; whereas a lower Multiplier means greater allocation to the Income/Money market Component. The Multiplier value usually ranges from (1) one to(4)four. The Management Company may, at its discretion, change the Multiplier from time to time, based on the market conditions.

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