

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

Offering Document



NAMCO Income Fund

An Open-End Fund

Managed by

National Asset Management Company Limited

Trustee

First Dawood Investment Bank Limited

Listed at Karachi Stock Exchange

Date of Publication May ____, 2008

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**OFFERING DOCUMENT OF
NAMCO INCOME FUND (NIF)**

(Managed by National Asset Management Company Limited licensed under Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 (the Rules)

Date of Publication of Offering Document _____

Initial Offering Period: _____ (both days inclusive)

INTRODUCTION

NAMCO Income Fund (the Fund/the Trust/NIF) has been established in Pakistan vide Trust Deed, dated 14th September 2007, registered under the Trusts Act, 1882 (11 of 1882) entered into between National Asset Management Company Limited, as the Management Company and First Dawood Investment Bank Limited (FDIBL), as the Trustee, and is authorized under Rule 67 of the Rules.

REGULATORY APPROVAL AND CONSENT

Approval of the Securities and Exchange Commission of Pakistan

The Securities and Exchange Commission of Pakistan (Commission) has authorized the offer of units of NIF under Rule 67 of the Rules. The Commission has approved this Offering Document, under Regulation 63 of the Non-Banking Finance Companies and Notified Entities Regulations, 2007 (the Regulations)

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

This Offering Document is governed by the provisions of the Trust Deed, the Rules and the Regulations. It sets forth information about NIF that a prospective investor should know before investing in Units of NIF.

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

Filing of the Offering Document

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

- (1) Duly registered Trust Deed (Deed) of NIF dated 14th September 2007 between National Asset Management Company Limited (the management company), as the establisher and First Dawood Investment Bank Limited as the Trustee.
- (2) Letters from AF Ferguson & Co Auditors of NIF, consenting to the issue of statements and reports.
- (3) The Commission's letter No. NBFC-II/AD-NAMCO/5791/2007 dated 8th August 2007 approving the appointment of FDIBL as the Trustee of NIF;
- (4) The Commission's letter No. NBFC-II/AD-NAMCO/852/2007 dated 12th November 2007 authorizing NIF;
- (5) License for undertaking Asset Management Services issued by Commission under its letter No. NBFC-II/47/NAMCL/AMC/11/2005 dated 13th December 2005 under NBFC rules;
- (6) The Commission's letter No. _____ dated _____, approving this Offering Document.

1 - CONSTITUTION OF THE SCHEME

1.1 Constitution

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

(1) National Asset Management Company Limited (NAMCO), a company incorporated under the Companies Ordinance 1984, licensed by the Commission to undertake investment advisory and asset management services with its registered office at 179-B, Abu bakar Block, New Garden Town, Lahore, Pakistan, as the establisher and the Management Company; and

(2) First Dawood Investment Bank Limited (FDIBL) a company incorporated under the Companies Ordinance 1984, with its registered office at 1500-A, Saima, Trade Towers, I.I. Chundrigar Road, Karachi, Pakistan as the Trustee.

1.2 Trust Deed

The Deed shall be subject to and be governed by the Rules, the Regulations, Securities and Exchange Ordinance 1969 and all applicable laws and regulations. The terms and conditions of the Deed and any deed supplemental hereto shall be binding on each Holder.

1.3 Modification of Trust Deed

1. The Trustee and the Management Company, acting together and with the approval of The Commission, shall be entitled by supplemental deed(s) to modify, alter or add to the provisions of the Deed on any of the following grounds:
 - (a) to ensure compliance with any applicable laws and regulations;
 - (b) to enable the provision of the Deed to be more conveniently and efficiently implemented;
 - (c) to enable the units to be listed on the stock exchange: or
 - (d) to otherwise benefit the Unit holders.

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

2. Where this Deed has been altered or supplemented the Management Company shall notify the Holders immediately, and also publish in at least one daily newspaper widely circulated in Pakistan.
3. The Management Company may from time to time frame rules or regulations for conducting the business of the Trust or in respect of any other matter incidental thereto; provided such procedures are not inconsistent with the provisions of the Constitutive Documents, the Rules and the Regulations.

1.4 Duration

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

1.5 Registered Office, Place, Date of Establishment

The registered address of National Asset Management Company Limited (NAMCO) is at 179-B, Abubakar Block, New Garden Town, Lahore. The Trust was established on 14th September 2007. The official website of the company is www.namco.com.pk

2 - INVESTMENT OBJECTIVES AND RESTRICTIONS

2.1 Investment Objectives

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

2.2 Investment Policy

In line with the investment objectives, the NIF may invest in the following:

- a) Government of Pakistan Investment Bonds, Federal Investment Bonds, Treasury Bills and other Government Securities;
- b) Secured and listed debt securities issued by local governments, government agencies
- c) Secured and listed debt securities issued by public sector entities and/or financial institutions.;
- d) Secured and listed debt securities issued by private sector entities and / or financial institutions;
- e) Debentures and Debenture stocks;
- f) Participation Term Certificates;
- g) Privately Placed Term Finance Certificates;
- h) Listed Term Finance Certificates;
- i) Modaraba Certificates and Musharika Certificates;
- j) Sukuks;
- k) Asset-backed or mortgage-backed securities or debt securities traded in the Over- the-counter (OTC) Markets;
- l) Long, medium and short term deposits with commercial banks;
- m) Long, medium and short term deposits in foreign currencies with Commercial Banks after prior approval of the applicable regulatory authorities;
- n) Commercial Papers;
- o) Convertible debt securities issued by corporates / financial institutions;
- p) Certificates of Investments/Deposits issued by financial institutions;

- q) Reverse REPO Transactions against money market and fixed income securities;
- r) Continuous Funding System (CFS); or its replacement thereof with necessary SECP approval, if so required. Investment in CFS shall be restricted upto a maximum of 50% of Net Assets of the Fund, with not more than 20% of the aforesaid CFS amount in one scrip at the time of investment;
- s) Spread Transactions, NAMCO Income Fund will enter into transactions aimed at earning a spread in the price of securities resulting from the timing difference between ready and future settlements. NAMCO Income Fund will buy in the ready settlement market and sell in future settlement market and reverse thereof. Both the transactions will be carried out simultaneously so as to avoid any risk emanating from the movement in the prices of underlying securities. In the future if there are certain changes in methodology of settlement of futures transactions, a revised mechanism will be permissible subject to the SECP's special or general approval;
- t) Subject to obtaining separate prior approval of SECP or other regulatory approvals, the Scheme may seek to invest in foreign fixed income and money market securities on such terms, guidelines and direction as may be issued by the SECP and the State Bank of Pakistan from time to time;
- u) Derivatives including Warrants, Options, Interest rate swaps, Forward Rate Agreements, any other derivative instruments subject to the prior written approval of SECP. Investment in this asset class would be for hedging purposes only and subject to such terms and conditions as approved by the SECP from time to time; and
- v) Any other money market/fixed income security and/or instruments that may be allowed by the SECP and the Rules;

The allocation between various investments will depend on prevailing market conditions and opportunities, the exposure limits are set forth below :-

Sr. No.	Description	Minimum Entity Rating	Minimum Instrument Rating	Maximum Exposure Limit	Minimum Exposure Limit
1.	Government of Pakistan Investment Bonds, Federal Investment Bonds, Treasury Bills and other Government Securities	N/A	N/A	100%	0%
2.	Secured and listed debt securities issued by local governments, government agencies	N/A	N/A	75%	0%
3.	Secured and listed debt securities issued by public sector entities and/or financial institutions	Investment grade i.e. BBB or above.	Investment grade i.e. BBB or above.	75%	0%
4.	Secured and listed debt securities issued by private sector entities and / or financial institutions.	Investment grade i.e. BBB or above.	Investment grade i.e. BBB or above.	75%	0%
5.	Debentures and Debenture stocks	Investment grade i.e. BBB or above (other than Government Entities)	N/A	50%	0%
6.	Participation Term Certificates.	Investment grade i.e. BBB or above.	Investment grade i.e. BBB or above.	50%	0%
7.	Privately Placed Term Finance Certificates.	Investment grade i.e. BBB or above.	Investment grade i.e. BBB or above.	50%	0%
8.	Listed Term Finance Certificates	Investment grade i.e. BBB or above.	Investment grade i.e. BBB or above.	50%	0%
9.	Modaraba Certificates and Musharika Certificates,	Investment grade i.e. BBB or above. (other than Government Entities)	N/A	50%	0%
10.	Sukuks	Investment grade i.e. BBB or above. (other than Government Entities)	N/A	50%	0%
11.	Asset-backed or mortgage-backed securities or debt securities traded in the Over- the-counter (OTC) Markets	Investment grade i.e. BBB or above.	Investment grade i.e. BBB or above.	30%	0%
12.	Long, medium and short term deposits with commercial banks	N/A	N/A	10%	0%

13.	Long, medium and short term deposits in foreign currencies with Commercial Banks after prior approval of the applicable regulatory authorities.	N/A	N/A	50%	0%
14.	Commercial Papers	Investment grade i.e. BBB or above.	Investment grade i.e. BBB or above.	50%	0%
15.	Convertible debt securities issued by corporate / financial institutions.	Investment grade i.e. BBB or above.	Investment grade i.e. BBB or above.	50%	0%
16.	Certificates of Investments/Deposits issued by financial institutions.	Investment grade i.e. BBB or above.	Investment grade i.e. BBB or above.	50%	0%
17.	Reverse REPOs against Government securities or money market and fixed income securities.	N/A	Investment grade i.e. BBB or above (Other than Government Entities)	75%	0%
18.	Continuous Funding System (CFS); or its replacement thereof with necessary SECP approval, if so required. Investment in CFS shall be restricted up to a maximum of 50% of Net Assets of the Fund, with not more than 20% of the aforesaid CFS amount in one scrip at the time of investment.	N/A	N/A	50%	0%
19.	Spread Transactions, (Buy in the ready settlement market and sell in future settlement market and reverse thereof.)	N/A	N/A	50%	0%
20.	Subject to obtaining separate prior approval of SECP or other regulatory approvals, the Scheme may seek to invest in foreign fixed income and money market securities on such terms, guidelines and direction as may be issued by the SECP and the State Bank of Pakistan (existing maximum limit of SBP is 50 million dollars) from time to time.	N/A	N/A	30%	0%

21.	Any other money market/fixed income security and/or instruments that may be allowed by the SECP and the Rules.	Investment grade i.e. BBB or above.	N/A	50%	0%
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The Fund will seek diversification by investing in a wide range of fixed income securities such as continuous funding system, government securities, and placement with banks and financial institutions and other forms of securities/ investments as stated above. The Fund may also seek diversification by earning ready future spread. The portfolio may also seek diversification by investing in securities having various maturity periods. While investing, various factors such as interest rate forecast, industry fundamentals, credit rating and track record of issuers will also be considered.

2.3 Investment Restrictions

The NIF shall follow the investment restrictions and exposure limits imposed by the Regulations and the constitutive documents. In the event of any changes in the investment restrictions contained in the Regulations, such restrictions shall become applicable to NIF in line with clause 2.2 of the Offering Document. The present investment restrictions are stated below:

- a) NIF will not at any time :
- (a) effect a short sale in a security whether listed or unlisted ;
 - (b) purchase any security in a forward contract;
 - (c) purchase any security on margin;
 - (d) apply any part of its assets to real estate, commodities or commodity contracts;
 - (e) acquire any security of which another asset management company managing a collective investment scheme is the issuer.
 - (f) issue at any time, without the prior approval of the Commission in writing, a senior security which is either stock or represents indebtedness;

- (g) invest in any security of a company if any director or officer of the investment adviser owns more than five per cent of the total amount of securities issued, or, the directors and officers of the investment adviser own more than ten per cent of those securities collectively;
 - (h) lend, assume, guarantee, endorse or otherwise become directly or contingently liable for or in connection with any obligation or indebtedness of any person.
- b) The exposure of NIF to any person shall not, at any time, exceed an amount equal to ten per cent of total net assets of the NIF or ten per cent of issued capital of that person, whichever is lower

2.4 Exception to Investment Restrictions

In the event the value of the holding in a particular company or sector exceeds the limit laid down in the Offering Document or Regulations because of corporate actions including taking up rights or bonus issue, and due to market price increase or decrease in net assets due to redemptions the excess exposure shall be regularized within three months of the breach of limits unless the said period of three months is extended up to another three months by the Commission on an application by the management company .

2.5 Borrowing and Borrowing Restrictions

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

2.6 Transactions with Connected Persons

2.6.1 All cash forming part of the Fund Property shall be deposited by the Trustee in a separate Bank account as directed by the Management Company to be opened in the name of the Trustee, as a nominee of the Unit Trust, with a Bank having minimum investment grade rating by a credit rating agency approved by the Commission.. Such Bank shall be required

to allow profit thereon in accordance with the rules prescribed by such Bank for sharing of profits or mark-up on deposits maintained in such account or under any other arrangement approved by the Management Company.

2.6.2 Money can be borrowed from the Trustee or any other institution provided that the charges are not higher than the usual bank charges.

2.6.3 The Trust shall not without the prior approval of the Commission in writing, purchase from, or sell to, any connected person or employee of the asset management company or collective investment scheme managed by it or a person who beneficially owns ten percent or more of the equity securities of the collective investment scheme or asset management company, as the case may be.

2.6.4 The Trust shall not invest in any security of a company if any director or officer of the Management Company owns more than five percent of the total amount of the securities issued, or, the directors and officers of the Management Company own more than ten percent of the securities collectively;

2.6.5 For the purpose of sub-Clauses 2.6.4 above, the term director, officer and employee shall include spouse, lineal ascendants and descendants, brothers and sisters.

2.7 Risk Disclosure

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

2.7.1 Credit Risk

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

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

b) Credit spread risk is the risk that there may be an increase in the difference between the return/mark-up rate of an issuer's bond and the return/mark-up rate of a bond that is considered to have little associated risk (such as a government guaranteed bond or treasury bill). The difference between this return/mark-up rates is called a "credit spread". Credit spreads are based on macroeconomic events in the domestic or global financial markets. An increase in credit spread will decrease the value of fixed income securities including money market instruments.

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

2.7.2 Interest Rate Risk

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

2.7.3 Counterparty Risk

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

2.7.4 Risk Associated with Investing in Continuous Funding System

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

2.7.5 Risk Associated with Unlisted Debts

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

2.7.6 Voluminous Purchase/Redemption of Fund Units Risk

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

2.7.7 Derivative Risk

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

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

2.7.8 Currency Risk

The Fund may be affected unfavourably by changes in currencies and exchange control regulations. The income earned by NIF may also be affected by fluctuations in foreign exchange rates.

2.7.9 Other Risks Involved:

- a) Mismanagement of the investee company, third party liability whether through class action or otherwise or occurrence of other events such as strikes, fraud etc., in the company in which the investment is made.
- b) Break down of law and order, war, terrorist activity, natural disasters etc.
- c) Senior rights of some creditors over other creditors in the event of winding up.

- d) Volatility in prices resulting from their dependence on market sentiment, speculative activities, supply and demand for the securities and liquidity in the market.
- e) Failure of financial market/stock exchanges, the settlement system, the clearing system or the depository.
- f) Any governmental or court order restraining payment of principal or income.
- g) Prices of Units and income from them may go up and down.

2.8 Extraordinary Circumstances

Under extraordinary circumstances mentioned in clause 4.10 of this offering document, the Management Company, may announce a suspension or deferral of redemption and in such cases invoke a Queue System or announce winding-up. In such events the investor will probably have to wait for the payment beyond the normal period and the redemption amount so determined may be lower than the price at the time the redemption request is lodged. Investors are advised to read the relevant clauses of the Fund's Trust Deed for more detailed information regarding this clause.

2.9 Disclaimer

The Units of NIF are not bank deposits and are neither issued by, insured by, obligations of, nor otherwise supported by the Commission, any Government agency, the Trustee (except to the extent specifically stated in this document and the Trust Deed) or any of the shareholders of the Management Company or any of the Core Investors or any other bank or financial institution.

3 - OPERATORS AND PRINCIPALS

3.1 Management Company

3.1.1 Organization:

National Asset Management Company Limited is an unlisted public limited company, incorporated in Pakistan with a paid up capital of Rs.100 million. It has been licensed by SECP to undertake Asset Management Services under the Rules. As of March 31, 2008 the equity of the Company was PKR 120.99 million. The pattern of shareholding is as under:

Name	Number of Shares	Amount (Rupees)
First National Equities Limited	4,000,000	40,000,000
First Pakistan Securities Limited	500,000	5,000,000
Switch Securities (Pvt.) Limited	500,000	5,000,000
Mr.Etrat Hussain Rizvi	1,997,000	19,970,000
Mr. Ali Aslam Malik	1,500,000	15,000,000
Mrs. Adeela Ali	1,500,000	15,000,000
Mr. Ali Raza Jaffery	1,000	10,000
Mr. Shafiq Ahmed Khan	1,000	10,000
Mr. Imtiaz Ahmed Pervez	1,000	10,000
Total	10,000,000	100,000,000

3.1.1.1 First National Equities Limited (FNEL):

First National Equities Limited ("FNEL") is a Corporate Member of KSE and was incorporated as a public limited company on October 3, 1994. FNEL was listed on the KSE in 2004. First National Equities Limited deals in the brokerage and trading of stocks, securities, fixed income securities, commercial papers, bonds, treasury bills and other financial instruments. FNEL also provides Advisory and Consultancy services in the areas of investments, corporate finance and research. FNEL is amongst the top listed brokerage houses of Pakistan with shareholders' equity of PKR 967.126 million, total assets of PKR 2,803.48 million as of June 30, 2007 and profits after tax of PKR 79.331 million for year ended June 30, 2007. FNEL holds a decent track record of dividend payouts. It has distributed 15% cash dividend and 15% Bonus for the financial year 2006-07 whereas 60% cash dividend was paid for the year 2005-06.

For further information please visit www.fnetrade.com

3.1.1.2 First Pakistan Securities Limited (FPSL):

First Pakistan Securities Limited (“FPSL”) is a Corporate Member of Lahore Stock Exchange (Guarantee) Limited. It was incorporated under the Companies Ordinance 1984 on September 11, 2002, with an Authorized Capital of PKR 70 million and paid up capital of PKR 20 million. The company started its operations in December 2002. The company had equity of PKR 761.7 million (including paid up capital of Rs.475 million) as at June 30, 2007 depicting a break up value of PKR 16.03 per share of PKR 10 each. Keeping up with the tradition and commitment of the group to share its success and profitability, the company will be listed on the stock exchange with a paid up capital of PKR 1,000 million.

For further information please visit www.fpsl.com.pk

3.1.1.3 Switch Securities (Pvt.) Limited:

Switch Securities (Pvt.) Limited (SSPL) was incorporated in 1997 with the objective of providing professional consultancy in stock related services. SSPL is a Corporate Member of the Lahore and Islamabad Stock Exchanges as well as the Commodity Exchange, Karachi. SSPL is a major brokerage house providing a host of services to its clients within the broad area of investment management, research and Advisory functions. The company has an authorized capital of PKR 50 million and a paid up capital of PKR 48.8 million. The company had equity of PKR 219.18 million as at June 30, 2007 depicting a break up value of PKR 44.91 per share of PKR 10 each.

For further information please visit www.switch.com.pk

3.1.2 PERFORMANCE OF THE FUND UNDER MANAGEMENT OF NATIONAL ASSET MANAGEMENT COMPANY LIMITED

3.1.2.1 NAMCO BALANCED FUND (NBF):

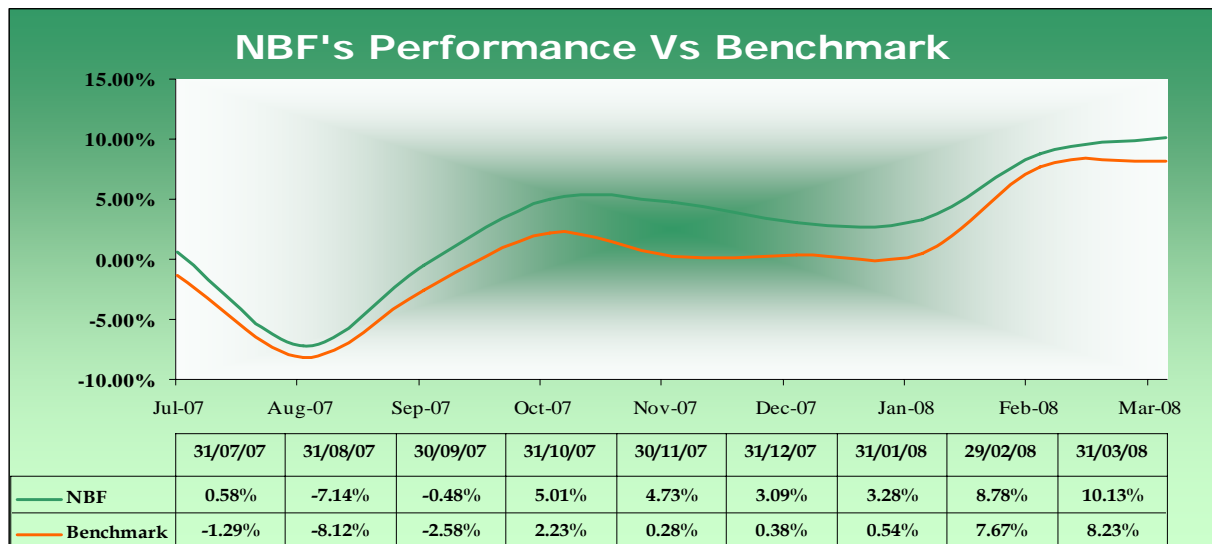
NBF is a closed-end balanced fund created under the Trusts Act 1882. The fund, with a size of Rs. one billion had a Pre-IPO placement of Rs. 700 million and an IPO of Rs. 300 million. First Dawood Investment Bank Limited (FDIBL) is the Trustee of the Fund while A. F. Ferguson & Co. Chartered Accountants are the Auditors.

The investment objective of NAMCO Balanced Fund is to generate long term capital appreciation as well as current income by creating a balanced portfolio that is invested in a diversified portfolio of securities representing investments in the capital and the money markets of Pakistan.

Namco Balanced Fund distributed a dividend of Rs 1.00 per certificate in just seven months of its operation during the financial year ended June 30, 2007.

Fund Name	NAMCO Balanced Fund
Fund Type	Closed End
Nature of Fund	Balanced Fund
Date of Launching	December 2006
Fund Size as at March 31, 2008	Rs. 1,141,982,803
Par Value	Rs.10/- each
NAV per certificate on March 31, 2008	Rs. 11.42
Credit Rating of AMC	AM3- (JCR VIS)
Trustee	First Dawood Investment Bank Limited
Auditor	A. F. Ferguson
Risk Profile	Medium
Listing	Karachi Stock Exchange

NBF's Performance for the period July 2007 – March 2008:



**Benchmark comprises 70 percent and 30 percent weightage assigned to return on KSE 30 and 6-months KIBOR respectively.*

As is evident from the above chart NBF has consistently outperformed the benchmark devised by it after the approval of constitutive documents and, in line with the investment policy contained therein, under which NBF was allowed to invest upto 70% of the total investment in equity markets and the rest was to be invested in fixed income securities, thus reflecting efficient portfolio management by NAMCO.

During the period July 2007 - March 2008, KSE-100 index rose by 9.83% and the KSE-30 increased by 8.50%. During the same period the benchmark rose by 8.23 % while the NAV increased by 10.13% thus outperforming the Benchmark by 1.90%. From amongst the NBF assets, the equity portfolio of around Rs. 725 million earned a return of 14.05% during the same period. The portfolio therefore outperformed the KSE-100 Index by 4.22% and KSE 30 Index by 5.55% in the nine month period ended 31 March 2008

NBF's NAV as of 31 March 2008 stood at Rs. 11.42 thereby depicting a return of 10.13% Year to Date (YTD).

3.2 The Board of Directors of Management Company

Name	Position	No	Other Directorships	Occupation	Address
Mr. Ali Aslam Malik	Chairman	1.	First National Equities Ltd.	Business	43 – J, DHA, Lahore.
		2.	Trust Investment Bank Ltd.		
		3.	First Pakistan Securities Ltd.		
		4.	MCD Pakistan Ltd.		
		5.	First Florance Developers (Pvt.)Ltd		
Mr. Etrat Hussain Rizvi	Chief Executive	1.	Pioneer Cement Ltd.	Service	F – 31 /1, 4th Gizri Street, Phase IV, DHA, Karachi.
		2.	The Bank of Khyber		
Mr. Ali Raza Jaffery	Director	1.	Switch Securities (Pvt.) Ltd.	Service	345A – 3, Gulberg, Lahore.
Mr. Shafiq Ahmed Khan	Director	1.	Security General Insurance Ltd.	Investment Banking and Fund Management	477 – Z, Street 23, DHA, Lahore.
Mr. Imtiaz Ahmed Pervez	Director	1.	Trust Investment Bank Ltd.	Investment Banking.	48 – Y, DHA, Lahore.

3.2.1 Financial Summary of Last 5 years of Listed Companies:

3.2.1.1 First National Equities Limited

Rupees in thousand

	June 30, 2003	June 30, 2004	June 30, 2005	June 30, 2006	June 30, 2007
Profit Before Tax	NA	4,584	234,338	452,618	107,106
Profit After Tax	NA	4,570	202,248	411,622	79,331
Paid-up Capital	NA	125,00	500,000	500,000	500,000
Shareholders' Equity	NA	186,435	617,297	1,201,911	967,126
Total Assets	NA	300,418	3,007,179	2,266,934	2,803,481
EPS (Rs.)	NA	0.366	4.41	8.23	1.59
Cash Dividend (%)	NA	-	25%	60%	15%
Bonus Shares (%)	NA	-	-	-	15%

(The company was listed in 2004)

3.2.1.2 Trust Investment Bank (Formally Trust Leasing & Investment Bank Limited)

Rupees in thousand

	June 30, 2003	June 30, 2004	June 30, 2005	June 30, 2006	June 30, 2007
Profit Before Tax	53,022	118,071	211,657	221,133	115,547
Profit After Tax	48,022	120,314	225,273	202,0965	103,047
Paid-up Capital	223,608	308,579	339,437	407,324	468,422
Shareholders' Equity	429,517	580,247	805,702	974,115	1,022,658
Total Assets	1,112,803	2,165,924	4,126,336	6,161,581	6,443,678
EPS (Rs.)	2.15	3.89	6.64	4.98	2.20
Cash Dividend (%)	-	15%	10%	15%	15%
Bonus Shares (%)	15%	10%	20%	15%	25%

3.2.1.3 Pioneer Cement Limited

Rupees in thousand

	June 30, 2003	June 30, 2004	June 30, 2005	June 30, 2006	June30, 2007
Profit Before Tax	(152,004)	238,218	393,919	933,071	(184,441)
Profit After Tax	(157,334)	424,265	332,089	675,982	(93,494)
Paid-up Capital	954,371	954,371	1,547,466	1,624,839	1,698,148
Shareholders' Equity	120,978	545,243	1,621,109	2,322,063	2,096,224
Total Assets	3,948,345	4,274,650	6,887,915	8,404,996	8,610,497
EPS (Rs.)	(1.65)	4.44	2.15	4.16	(0.55)
Cash Dividend (%)	-	-	-	10%	-
Bonus Shares (%)	-	-	5%	4.5%	-

3.2.1.4 The Bank of Khyber
Rupees in thousand

	Dec 31, 2003	Dec 31, 2004	Dec 31, 2005	Dec 31, 2006	Dec 31, 2007
Profit Before Tax	397,077	299,134	324,079	224,865	91,014
Profit After Tax	304,578	264,307	287,453	201,590	219,437
Paid-up Capital	1,050,000	1,231,034	1,231,034	2,000,949	4,002,984
Shareholders' Equity	1,562,652	1,828,015	2,115,468	2,863,129	5,876,230
Total Assets	19,796,839	23,824,644	25,033,970	27,211,260	29,739,717
EPS (Rs.)	2.90	2.15	2.34	1.01	0.62
Cash Dividend (%)	-	-	-	-	-
Bonus Shares (%)	-	10%	22%	-	-

3.2.2 Particulars of the Directors

Mr. Ali Aslam Malik- Chairman:

Mr. Ali A. Malik is an entrepreneur, having to his credit over fifteen years of experience in the field of business & investment banking. He is the founder & Chairman of FNE Group. Mr. Malik has obtained his masters in Commerce from Hailey College of commerce, University of Punjab, Lahore. He has attended numerous workshops & courses on investment, corporate & quality management, national security from institutions local & abroad. He is also an alumnae of National Defence College, Islamabad.

Mr. Etrat Hussain Rizvi - Chief Executive Officer:

Mr. Rizvi brings rich and versatile experience coupled with sound academic and a track record of achievements including the creation, revival and consolidation of institutions. He has over 31 years experience of working in private and public sectors in the fields of banking, development financing, manufacturing, utility and regulatory organizations. He has also been the key person in the development of the Code of Corporate Governance, Insurance Rules, Private Pension System, NBFC Rules, Prudential Regulations for NBFCs, Code of Conduct for credit rating companies etc. Mr. Rizvi is the Chief Executive of the company. His last assignment was Commissioner SECP. He has also been the Chairman of The Bank of Khyber, Managing Director of National Development Leasing Corporation and Managing Director of Paramount Leasing Ltd.

Mr. Shafiq Ahmad Khan:

Mr. Khan has over 36 years of experience in domestic and international financial markets. He possesses the necessary skills for developing & implementing successful strategies for financial institutions' businesses across the geographical segments, identifying key opportunities and risks, delivering value to shareholders, realizing high yielding banking relationships in emerging and developed countries and ensuring employee well-being/ job satisfaction. He has deep and diverse knowledge of banking operations across most regions and enjoys sound relationships with regulatory authorities in various countries. His last assignment was in MCB Bank as Senior Executive Vice President.

Mr. Imtiaz Ahmad Pervez:

Mr. Pervez has over 30 years of banking experience in UK, Bahrain and Pakistan. He was responsible for the operations of Faysal Islamic Bank of Bahrain from its inception in 1983 to 1994. From 1994 to 2000 he was on the Board of Faysal Islamic Bank of Bahrain EC (now Shamil Bank of Bahrain E.C.), Faysal Investment Bank of Bahrain E.C., Faysal Bank Limited and Faysal investment Bank Limited.

Mr. Ali Raza Jaffery:

Mr. Jaffery is a Chartered Accountant from Institute of Chartered Accountants of Pakistan. He is currently the Chief Executive of Switch Securities (Pvt.) Limited (Member Lahore Stock Exchange). He has over 10 years of working experience in different financial institutions and Banks.

3.2.3 Management Profile

Mr. Etrat Hussain Rizvi - Chief Executive Officer

Mr. Rizvi brings rich and versatile experience coupled with sound academic and a track record of achievements including the creation, revival and consolidation of institutions. He has over 31 years experience of working in private and public sectors in the fields of banking, development financing, manufacturing, utility and regulatory organizations. He has also been the key person in the development of the Code of Corporate Governance, Insurance Rules, Private Pension System, NBFC Rules, Prudential Regulations for NBFCs, Code of Conduct for credit rating companies etc. Mr. Rizvi is the Chief Executive of the company. His last assignment was Commissioner SECP. He has also been the Chairman of The Bank of Khyber, Managing Director of National Development Leasing Corporation and Managing Director of Paramount Leasing Ltd.

Mr. Mutahir N. Pasha - Chief Investment Officer

Mr. Mutahir N. Pasha holds 13 years of diversified experience in Investment Management & Research, Brokerage Operations, Risk Management, Banking, Treasury Operations and Investment/Brokerage Consultancy. He has served as Member Investment Committee and Head of Capital Markets in NDFC, and looked after an equity portfolio worth Rs. 5 billion. He has been serving as an investment consultant for a private fund, consulting for local as well as foreign stocks. Prior to joining NDFC, Mr. Pasha held positions of Chief Operating Officer and Head of Research & MIS at Corporate Brokerage Houses in Lahore and Islamabad. Mr. Pasha holds an MBA degree and is also a Law graduate. His last assignment was Vice-President – Head of Equity Operations with National Bank of Pakistan.

Mr. M. Ahsan Hashmi - CFO & Company Secretary

Mr. M. Ahsan Hashmi is Member of the Institute of Cost & Management Accountants of Pakistan. Having in-depth knowledge and practical experience of about 22 years of financial management, accounting, banking and finance, is responsible for supervising and monitoring all finance and accounting functions, as well as, looking after reporting requirements of all regulatory authorities, liaising with the auditors and tax consultants. He is also responsible for and ensuring compliance with the Companies Ordinance 1984, NBFC Rules, Listing Regulations and all other relevant laws and regulations.

He has worked throughout with listed companies at various responsible positions including Head of Equity Operations and Chief Operating Officer. His last assignment was Chief Financial Officer & Company Secretary with First National Equities Limited.

Mr. Faisal Merchant – Fund Manager

Mr. Faisal Merchant brings 14 years of diversified experience of working in Treasury, Finance, Credit and Marketing, Investments and Operations. Prior to joining National Asset Management Co Ltd, he was working as Manager Treasury in Crescent Standard Investment Bank. Mr. Faisal Merchant holds an MBA Degree.

Mr. Syed Muhammad Wasif – Assistant Manager–Fund Management

Mr. Syed Muhammad Wasif has a good experience in the field of equity trading and technical analysis. He has completed his M.Sc. in International Accounting & Finance from Heriot-Watt University Scotland and did B.A (Hons) Accounting & Finance from London South Bank University, London.

Mr. Muhammad Faraz Khan – Research Analyst

Mr. Muhammad Faraz Khan has a good experience in the field of Research and simultaneously having the working knowledge of software development, mutual funds consultancy and credit analysis of mortgage financing. Mr. Khan holds a Bachelor's Degree in Computer Engineering from Sir Syed University of Engineering & Technology and an MBA from College of Business Management with majors in Banking & Finance.

Mr. Syed Abdur Razzak - Research Analyst

Mr. Syed Abdur Razzak has a handsome experience in the field of Equity Research. He has completed his ACCA (Association of Chartered Certified Accountants) and holds a degree of Bachelor's of Science (BSc Hons) in Applied Accounting from Oxford Brookes University UK.

3.2.4 Duties and Responsibilities of the Management Company

- (i) The responsibilities of the Management Company is to promote the sale of Units in NIF, invest and manage the assets of NIF according to the provisions of the constitutive documents, the Rules and the Regulations, in good faith, to the best of its ability and without gaining any undue advantage for itself or any connected persons or its Officers.
- (ii) The Management Company shall maintain proper accounts and records of NIF to enable a complete and accurate view of assets and liabilities, income and expenditure, all transactions, and amounts received in respect of issue of Units and paid out by NIF on redemption of Units and by way of distributions, as required under the Rules and the constitutive documents and the Regulations.
- (iii) The Management Company shall prepare and circulate the annual report, together with a copy of the balance sheet, income statement, cash flow statement and statement of movement in unit holder's fund or net assets or reserves and the auditor's report of the open-end scheme within three months of closing of the accounting period, to the unit holders, the trustee, the commission and the stock exchanges, on which the units of the scheme are listed and the balance sheet and profit and loss account shall comply with requirement set out in- Schedule IV of the Regulations also disclosing in the annual report the following information, namely:-
 - a) Total number of unit holders; and
 - b) Particulars of the personnel (executive, research and other) of the asset management company;
- (iv) Within one month of the close of first and third quarters and within two months of the close of second quarter of the year of account of the open-end scheme, prepare and circulate to the unit holders, the trustee, the Commission and stock exchanges, on which the units of the scheme are listed, balance sheet as at the end of that quarter, an income statement, a cash flow statement and a statement of changes in equity for that quarter, whether audited or otherwise.
- (v) The Management Company shall make available to the Trustee all information relating to the Fund. The Management Company shall account to Trustee for any loss in value of the assets of NIF caused by its negligence, reckless or wilful act or omission.

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

3.3 Trustee – First Dawood Investment Bank Limited

First Dawood Investment Bank Limited (FDIBL) was incorporated in June 1994 with an initial capital of PKR 250 million and is listed on the Karachi and Islamabad Stock Exchanges. It commenced operations from January 1, 1995. FDIBL is associated with the Dawood Family and is co-sponsored by a number of local financial institutions. The Dawood Family represents one of the largest and well-established business groups in Pakistan spanning a wide range of interests in textiles, chemicals, engineering, automotive and the financial sector.

NIF has appointed First Dawood Investment Bank Limited (“FDIBL”) as its Trustee. FDIBL is among the top players in the industry and is the third largest NBFC in Pakistan in terms of net investment in lease finance. At present FDIBL’s total paid-up capital and reserve stands at PKR 1,924 million and the total assets at PKR 12,309 million. FDIBL is engaged in the business of Leasing, Housing Finance, Money Market Operations, Trusteeship and Custodian. FDIBL firmly believes in developing a secondary market for debt instruments, and has become one of the leading underwriters and participants of debt and equity issues since its inception. In fact the Company has participated and underwritten more issues than any other company in Pakistan.

FDIBL is well poised and is strengthening its efforts to maintain its growth in business without compromising on quality. As part of its strategy for growth and diversification, FDIBL has acquired the management control of B.R.R International Modaraba, Guardian Modaraba and Dawood Capital Management Limited.

Pakistan Credit Rating Agency (PACRA) has assigned an entity credit rating of “A1” (Single A one) for short term and “A+” (Single A plus) for long-term which denotes “Low Expectation of credit risk and very strong capacity for timely payment of financial commitments”. FDIBL has also floated listed perpetual secured term finance certificates

(TFCs) of PKR 600 million which has credit rating of “AA-” (Double A minus) which reflects its sound financial position and strong capabilities to fulfill its financial obligations.

3.3.1 Trustee: Duties and Responsibilities

- i. The Trustee shall take into its custody and under its control all the property of NIF and hold it in trust for the Unit Holders in accordance with the law and the provisions of the Constitutive Documents and the cash and registerable assets shall be registered in the name of, or to the order of the Trustee.
- ii. The Trustee shall carry out the instructions of the Management Company in all matters including investment and disposition of the Trust Property, unless they are in conflict with the Deed, the Rules, the Regulations and the Offering Documents or all applicable laws.
- iii. The Trustee shall ensure that all issues and cancellations of Units of NIF and the methods adopted by the Management Company in valuing Units for the purposes of determining the Offer and Redemption Prices are adequate and are carried out in accordance with the provisions of the Constitutive Documents.
- iv. The Trustee shall issue a report to be included in the annual and second quarter report of the collective investment scheme, to be sent to unit holders whether, in his opinion, the Management company, has in all material respects managed the scheme in accordance with the provisions of the constitutive documents, the Rules and the Regulations, and if the asset management company has not done so, the respects in which it has not done so and the steps that the trustee has taken in respect thereof;
- v. The Trustee shall, if requested by the Management Company or if it considers necessary for the protection of the Deposited Property or safeguarding the interest of Unit Holders, institute or defend any suit, proceedings, arbitration or inquiry or any corporate or shareholders action in respect of the Trust Property or any part thereof if so requested by the Management Company in writing. It is clarified that the Trustee shall be entitled to be reimbursed, out of the Trust Property, for all reasonable costs and expenses incurred in taking the aforesaid action(s).
- vi. The Trustee shall be responsible for all acts and omissions of all persons or agents to whom it may delegate the performance of its duties, as if these were its own acts and omissions.
- vii. The Trustee shall account for any loss in value of the Trust Property where such loss has been caused by negligence or any reckless or wilful act and/or omission of the Trustee or any of its directors, officers, nominees or agents.

- viii. The Trustee shall not be under any liability on account of anything done or suffered by NIF in good faith in accordance with or in pursuance of any request of the Management Company provided they are not in conflict with the provision of the constitutive documents or the Regulations.
- ix. The Trustee shall ensure that the investment and borrowing limitations set out in the Regulations and the Constitutive Documents and the conditions under which NIF was authorized are complied with.

3.4 Core Investors

NAME	NUMBER OF UNITS	RUPEES
The Bank of Punjab	500,000	50.00 million
National Asset Management Co. Ltd.	760,000	76.00 million
First Dawood Investment Bank Ltd.	250,000	25.00 million
Al- Zamin Leasing Corporation Ltd.	250,000	25.00 million
First National Equities Ltd.	200,000	20.00 million
Arif Habib Bank Ltd.	150,000	15.00 million
Pioneer Cement (Emp. Prov. Fund)	50,000	5.00 million
International Watch Company	50,000	5.00 million
Trakker Direct Insurance Ltd.	50,000	5.00 million
First Credit & Investment Bank Ltd.	80,000	8.00 million
Ample Securities Ltd.	50,000	5.00 million
SME leasing Ltd.	25,000	2.50 million
WE Investments Ltd.	25,000	2.50 million
Aba Ali Habib Securities	20,000	2.00 million
NAMCO (Emp. Prov. Fund)	15,000	1.50 million
First National Equities (Emp. Prov. Fund)	15,000	1.50 million
Shehzad Chamdia Securities	10,000	1.00 million

The above core investors have subscribed an aggregate sum of Rs. 250,000,000 towards the purchase of 2,500,000 Core Units of Rs.100 each. The Core Investors have agreed to hold their investment for a minimum period of two years, as required under the Regulations, from the date of close of Initial Offering Period. However, these Units are transferable with the same terms and conditions during the unexpired period.

3.4.1 Pre-IPO Investors

Pre IPO investors have committed an amount of Rs. 750 million in the NAMCO Income Fund. Names of the major investors are provided below:

NAME
Arif Habib Bank Limited
BMA Capital Limited
JS Global Capital Limited
National Insurance Company Limited
NIB Bank Limited
The Bank of Khyber (Employees Provident Fund)
Khoja's Capital Management Limited
Orix Leasing Pakistan Limited (Staff Gratuity Fund)
Orix Leasing Pakistan Limited (Employees Provident Fund)
The Bank of Khyber
The Bank of Punjab
Pak-Oman investment Company Limited
Pak-Brunei Investment Company Limited
KASB Bank Limited
National Bank of Pakistan Limited
Habib Metropolitan Bank Limited
EFU General Insurance Limited

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

3.4.2 Related Party Transactions

3.4.2 (a) First National Equities Limited has invested in the Fund as a core investor to the extent of Rs. 20 million (Rupees Twenty million).

Mr. Ali A. Malik, Chairman of National Asset Management Company Limited is also Chief Executive of First National Equities Limited.

3.4.2 (b) The Bank of Khyber has invested in NIF as pre-IPO investor to the extend of Rs.100 million

Mr. Etrat H. Rizvi, Chief Executive of NAMCO is also director of the Bank of Khyber

3.4.2 (c) First Dawood Investment Bank Limited (FDIBL) is acting as Trustee and Custodian to NAMCO Income Fund has invested a sum of Rs. 25 million (Rupees Twenty Five million) as a core investor in the Fund.

3.5 Transfer Agent

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

3.6 Custodian

The First Dawood Investment Bank Limited (FDIBL) will be performing the functions of the custodian of the Deposited Property. The salient features of the custodial functions are as follows:

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

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

3.7 Distribution Companies

NIF will be distributed by the Management Company itself. If needed, a distribution company (is) may be appointed with the consent of the Trustee.

3.8 Auditors

The Auditors of NIF are:

A.F Ferguson & Co.

Chartered Accountants

(A member firm of Price Water- House Coopers)

State Life Building #1-C

State Life Square

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

Karachi-74000, Pakistan

- 3.8.1 The Auditors will hold the office until the transmission of the reports and accounts, which will cover the period from commencement of the Trust up to Accounting Period. They will be eligible for re-appointment by the Management Company, with the concurrence of the Trustee. However, an auditor may be reappointed for a period not exceeding five consecutive years. Thereafter, that auditor may be appointed after a break in appointment.

- 3.8.2 The Auditors shall have access to the books, papers, accounts and vouchers of the Trust, whether kept at the Principal Office of the Management Company, Trustee, Custodian, Transfer Agent, Distribution Companies or elsewhere and shall be entitled to require from the Management Company, Trustee and their directors, officers and agents such information and explanations as considered necessary for the performance of the Audit.
- 3.8.3 The Trustee shall be entitled to require the Auditors to provide such further reports as may be agreed between the Trustee and the Management Company as may be considered necessary to facilitate the Trustee in issuing the certification required under the Regulations.
- 3.8.4 The Auditors shall prepare a written report to the Unit Holders on the account and books of account of the Trust and the balance sheet and income and expenditure account and on every other document forming part of the balance sheet and the income and expenditure account, including notes, statement or schedule appended thereto.
- 3.8.5 The contents of the Auditors' report shall be as required under the Rules and the Regulations.

3.9 Legal Advisors

The legal advisors of NIF are;

KMS Law Associates

207, Beaumont Plaza

Beaumont Road

Karachi, Pakistan

3.10 Bankers

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

3.11 Bank accounts

3.11.1 The trustee at the request of the Management Company shall open bank account(s) titled "FDIBL-Trustee NAMCO Income Fund" for the Unit Trust at designated bank(s) at Karachi for collection, investment, redemption or any other use of the Trust funds.

3.11.2 The trustee shall also open additional Bank Account(s) titled "FDIBL-Trustee NAMCO Income Fund" at various branches of such other Bank(s) as requested by the Management Company. These accounts shall be temporary collection accounts where collections shall be held prior to their being transferred to the main Bank Account of the Trust on a daily basis.

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

4 -CHARACTERISTICS OF UNITS TO BE OFFERED

4.1 Minimum Investment

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

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

The Management Company shall have the discretion to change the minimum investment limit after giving thirty days prior notice to the unit holders.

4.2 Classes of Units and their Features

1. Class A (Restricted / Core Units)

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

- a) Growth Units which shall be entitled to bonus units in case of any distribution by the Fund. Bonus units issued to Growth Unit holders shall also be the Growth Units.
- b) Income Units which shall be entitled to cash dividend in case of any distribution by the Fund.

2. Class B Units

Class B units are being offered and issued during the Private Placement and Initial Period of Offer (IPO) with no Sales Load. These units are further classified into;

- a) Growth Units which shall be entitled to bonus units in case of any distribution by the Fund. Bonus units issued to Growth Unit holders shall also be the Growth Units.
- b) Income Units which shall be entitled to cash dividend in case of any distribution by the Fund.

3. Class C Units

Class "C" unit shall be offered and issued after the initial period of offer (IPO) with or without sales load. The sales load will be charged as mentioned in Annexure "A" of this Offering Document. These units are further classified into;

- a) Growth Units which shall be entitled to bonus units in case of any distribution by the Fund. Bonus units issued to Growth Unit holders shall also be the Growth Units.
- b) Income Units which shall be entitled to cash dividend in case of any distribution by the Fund.

An investor shall, at the time of opening an account, select the types of Unit(s) in which the investor wishes to invest. The investor may convert the units from one type of units to another type within same unit class i.e. from Growth Units to Income Units or vice versa, without any extra charges. The Restricted/Core units issued to the core investors cannot be redeemed for a period of two (2) years from the date of closure of initial public offer; however, these units are transferable during that period.

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

4.3 Features of Units

- 1 All Units and fractions thereof represent an undivided share in the Fund and shall rank pari passu according to the number of Units held by each Unit Holder, including the rights of the Unit Holders in the Net Assets, earnings and the receipt of dividends and distributions.
- 2 Units shall be accounted for in fractions up to two decimal places.
- 3 Statements shall be sent to the Unit Holders after the close of the Accounting Period and each time any activity takes place in the account. Such statements shall cover activity related to Units such as:
 - (1) Issued/subscribed,
 - (2) Redeemed
 - (3) Transferred in favor of third person
 - (4) Transferred from third person in favor of Unit Holder
 - (5) Consolidated / split and
 - (6) Additional Units are issued against reinvestment of dividend.

An account statement will be posted within 7 Business Days after each relevant transaction. The Unit Holders may obtain more frequent statements at designated address by paying a fee not exceeding Rs. 50 per statement representing the costs involved.

- 4 Unit Holders may obtain Certificates representing the Units they hold by paying a fee not exceeding Rs. 50 per certificate of any denomination subject to revision of fee from time to time by the Management Company together with a sum sufficient in the opinion of the Management Company to cover any duties and charge payable in connection with the issue of such certificate. The proceeds of such fee will accrue to the Management Company.

4.4 Frequency of Valuation and Dealings

- a) Units can be purchased at the Offer Price and redeemed at the Redemption Price at any of the Authorized Distribution Offices on any Business Day during business hours in accordance with the procedure set out in this Offering Document.
- b) During the period the Register is closed, as mentioned in clauses 4.9 of this Offering Document, the sale and redemption of Units will be suspended.

- c) For the Classes of Units and Offer Prices during the Initial Period of Offer, please refer to clause 4.1 and clause 4.2 of this Offering Document.
- d) After the Initial Period of Offer, the Management Company shall announce the Offer and Redemption Prices on all business days calculated on the basis of the NAV and adjusted for such load, transaction costs, charges and duties as are described herein. The method of calculation shall be cleared to the Trustee's satisfaction that such method is adequate for ensuring accurate calculation of the prices.
- e) The calculation of Offer Price shall be as mentioned in clause 4.5 of the offering document.
- f) The calculation of Redemption Price shall be as mentioned in clause 4.6 of the offering document.
- g) The Management Company shall, at such frequencies as may be prescribed in this Offering Document or under the Regulations, determine and announce the Net Asset Value based prices of the Units. Under certain circumstances as provided in this Offering Document, the Management Company may suspend the announcement of the prices.
- h) The Management Company shall publish the Offer and Redemption Prices in at least one newspaper on a daily basis or place the same on its website and the website of MUFAP.
- i) The prices determined, as described hereinabove shall be subject to adjustment for any taxes payable in the jurisdiction of the transaction.

4.5 Issue of Units

4.5.1 Determination of Offer Price

1. After the Initial Period the NAV shall be calculated by dividing the Net Assets by the number of Units outstanding and the Offer Price shall be calculated and announced by the Management Company on all business days.
2. The Offer Price shall be equal to the sum of:
 - (a) The Net Asset Value as of the close of the Subscription Day on which completely filled prescribed application form is received along with realized payment and within the business hours as announced by the Management Company from time to time.
 - (b) Any Front-end Load; and
 - (c) Such amount as the Management Company may consider an appropriate provision for Duties and Charges;
 - (d) Transaction cost.

Such sum shall be adjusted downwards to two decimal places or as may be prescribed by the Management Company from time to time with prior approval of the Trustee and properly disclosed to the Unit Holders or Investors.

4.5.2 Who Can Apply?

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

1. Citizens of Pakistan resident in Pakistan: in respect of minors below 18 years of age, applications should be made by their guardians.
2. Companies, corporate bodies, financial institutions, banks, partners of a firm and societies incorporated in Pakistan so long as such investment is permitted under their respective memorandum and articles of association and/or bye-laws.
3. Pakistanis resident abroad, foreign nationals and companies incorporated outside Pakistan, subject to the regulations of the State Bank of Pakistan and the Government of Pakistan and any such regulations and laws that may apply to their place of residence, domicile and citizenship. The payment of dividends and redemption proceeds to such investors shall be subject to the relevant taxation and exchange regulation/laws. Any person making an application for the issue of Units in NIF shall warrant that he is duly authorized to purchase such Units.
4. Provident Funds constituted by companies registered under the Companies Ordinance, 1984, subject to conditions and investment limits as laid down in Employees Provident Fund (Investment in Listed Securities) Rules, 1996, as amended by S.R.O.
5. Provident, Pension and Gratuity Funds constituted by organizations other than companies under section 20(h) of the Trusts Act 1882, (11 of 1882).
6. Insurance companies under the Insurance Ordinance, 2000.
7. Non Profit organizations under section 213(i) of the Income Tax Rules 2002.

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

4.5.3 Opening an account

4.5.3.1 Account Opening Application Procedure

- 1) The application forms duly filled and completed in all respects can be delivered at any of the Authorized Branches of the Distributor or may be submitted to the Management Company directly or through an Investment Facilitator or Sales Agent. Only Authorized Branches of Distributors once appointed are authorized to collect application and payment for issue of units.
- 2) In case of individual applicants a photocopy of the Computerized National Identity Card (CNIC) of the applicant or any other form of identification acceptable to the Management Company along with any other required document as specified in the application form.
- 3) In case of a body corporate or a registered society or a trust,
 - i. Investors Name
 - ii. List of authorized signatories along with copy of the National Identity Card and specimen signatures
 - iii. Copy of the memorandum and articles of association/charter/bye-laws or rules and regulations;
 - iv. Copy of power of attorney and/or relevant resolution of the board of directors delegating any of its officers to invest the funds and/or to realize the investment; and
 - v. Other relevant documents as may be required by the Management Company.
- 4) In case of existing Unit Holders, if any of the documents have previously been deposited with the Management Company or Transfer Agent, fresh submission of documents will not be required provided that the deposited documents are acceptable to the Management Company. However, the previous account number/registration number/folio number must be provided to facilitate linking.
- 5) The Distribution Office will be entitled to verify the particulars given in the application form. In case of any incorrect information the application may be rejected, if the applicant has not rectified the discrepancy.
- 6) If the application is incomplete or incorrect in any way, the Distribution Office/Management Company/Transfer Agent will advise the applicant in writing to remove the discrepancy within a period of fifteen days, failing which the application will be rejected and the amount will be refunded without any interest or mark-up. However in the event Units have been issued and a material discrepancy is discovered subsequent to that, the Management Company, Transfer Agent or Distributor will advise the applicant in writing to remove the discrepancy within fifteen days and if the investor, in the opinion of the Transfer Agent, fails to remove the discrepancy without good cause, the Units shall be redeemed at the Redemption Price on the date the Units are so redeemed. The Unit Holder shall not be entitled to any payment beyond the redemption value so determined.

- 7) In the event payment has been accepted by crossed-cheque or pay order or in such form as prescribed by the Management Company, the Transfer Agent will not process the application of subscription till the payment has been realised and cleared by the Fund's Bank.
- 8) The applicant must obtain a receipt duly signed and stamped by an authorised official confirming the receipt of the application from the Authorized Branch of the relevant Distribution Office, where application for purchase of units was submitted.
- 9) Once the investor account has been opened, the investor will be allotted a specific registration/folio number which can be used for all future transactions to facilitate reference and linking.
- 10) Investors will be allotted Units based on the Offer Price of the Fund as announced by the Management Company on the day the payment is realised for a duly completed application form within the business hours on a Business Day as prescribed by the Management Company from time to time. The Investor will be provided an Account Statement within seven (7) Business Days after the Units have been issued.
- 11) In the event a cheque or any other instrument is returned unpaid, the Management Company will assume the application for subscription to be regarded as void and the Units if allotted will be cancelled and the investor informed accordingly. The investor will be asked to submit fresh payment for the said Units which will then be allotted based on the Offer Price of the Fund as announced by the Management Company on the day the payment is realised.

4.5.3.2 Joint Application

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

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

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

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

4.5.4 Purchase (Issue) of Units

An application for purchase of Units may be lodged with any authorized Distributor or presented to the Management Company or through an Investment Facilitator. The application shall be in the form prescribed by the Management Company. Application Forms are available with Distributors or Investment Facilitators or may be obtained from the Management Company or its website. Units shall be issued based on the Purchase (Offer) Price that is determined as per Clause 4.5.1 of this Offering Document.

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

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

4.6 Redemption of Units

4.6.1 Determination of Redemption Price

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

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

4.6.2 Who can Apply for Redemption

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

4.6.3 Redemption Application Procedure

- a) Requests for redemption can be made by completing the prescribed application form and endorsing the relevant Certificate, if issued, and submitting the same to any Authorized Branch of the relevant Distribution Office or to the Management Company or through an Investment Facilitator, within business hours on any Business Day. The request for redemption would only be honoured after verifying the signature and other particulars of the Unit Holder from the Register.
- b) The Unit Holder will receive a note confirming the receipt of the application for redemption duly signed and stamped by an authorised official from the relevant Distribution Office.
- c) The Distribution Company and /or the Management Company will be entitled to verify the particulars given in the application form. In case of any incorrect information the application may be rejected if the applicant does not rectify the discrepancy.
- d) If subsequent to the receipt of the application by the Distributor, but prior to the Redemption of the Units, the application is found by the Transfer Agent or the Distributor or the Management Company to be incomplete or incorrect in any material manner, the Transfer Agent or the Distributor will advise the applicant to remove the discrepancy; meanwhile the application will be held in abeyance for fifteen days. In the event the discrepancy is not removed in the said fifteen days, the application for redemption will be cancelled treating the same as null and void. The Unit Holder will then have to submit a fresh application for Redemption of Units.
- e) Units will be redeemed on the basis of the Redemption Price announced as of the close of the business day on which a fully completed Redemption Form acceptable to the Management Company is submitted within business hours as announced by the Management Company from time to time.

4.6.4 Payment of Redemption Proceeds

- a) Unless otherwise instructed, payment of the redemption proceeds will be made by a crossed cheque, in favour of the Unit Holder's registered name, or in favour of the first-named joint Holder in the event of joint Holders, and will be sent to registered address of the Unit Holder or first-named joint Holder's address, or if so authorized by all the joint holders, at the address of the Joint Holder who has signed the redemption form as

provided, within six business days after the receipt of a properly documented request for redemption of Units. However, if so authorized by the Unit Holder, payment of the redemption proceeds will be made by transfer to the bank account number of the Unit Holder or first-named joint Holder in the event of joint Holders. No money shall be paid to any intermediary except the Unit Holder /joint Holder or his /their authorized representatives.

- b) In case the Investor has requested encashment of Bonus Units then such Bonus Units will be redeemed at the ex-dividend Net Asset Value (NAV) as determined by the Management Company from time to time.
- c) Redemption of Units may be suspended or put in queue due to exceptional circumstances as referred to in Clause 4.10.
- d) Partial Redemption of Units covered by a single Certificate is not permitted. However, Unit Holders may apply for splitting of the Certificate before applying for redemption.
- e) In the event of Units that are pledged, are redeemed for any reason whatsoever, the proceeds shall be paid to the order of the lien holder's designated bank account or posted to the registered address mentioned in the pledge/lien application form submitted
- f) No money shall be paid to any intermediary except the Holder/ joint Holder or his/ their authorised representatives.

4.6.5 Joint Holders

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

4.7 Transfer/Transmission/Conversion of Units

4.7.1 Application Procedure

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

- 4.7.1.1** A Unit Holder can transfer Units held by him by completing a prescribed Transfer Application Form, to be signed by the transferor and transferee; and paying any applicable Duties and Charges; and submitting to any of the Authorised Branches of the relevant Distribution Company the Transfer Application Form and relevant certificate(s), if issued.

- 4.7.1.2** Any person becoming entitled to hold the Units in consequence of the death, insolvency or winding up of any sole Unit Holder or the survivors of Joint Holder shall be registered as the Holder or Joint Holders as the case may be, upon paying any applicable Duties and Charges; and submitting to any of the Authorised Branches of the relevant Distribution Company the duly completed prescribed Transfer Application Form and relevant Certificate, if issued, with such evidence, which may prove his entitlement to the Units.
- 4.7.1.3** The Transfer Agent shall, subject to law, accept requests for transfer of Units from an existing investor to another. The transfer shall be carried out after the Transfer Agent has satisfied himself of all requisite formalities including payment of any taxes if applicable and has recovered the fee prescribed for the service.
- 4.7.1.4** Transmission of Units to successors in case of inheritance or distribution of the estate of a deceased Unit Holder shall be processed by the transfer Agent after satisfying himself as to all legal requirements. The legal costs and taxes if any shall be borne and paid by transferees. However, the processing fee shall not be payable by successors or beneficiaries of the estate in the case of transmission. The Management Company shall pay the relevant processing fee to the Transfer Agent.
- 4.7.1.5** A Unit Holder may convert the Units held by him in a Unit Trust managed by the Management Company into the Units of another Unit Trust scheme managed by the Management Company subject to the terms of the respective Offering Documents. The Transfer Agent shall carry out the conversion after being satisfied that all the requisite formalities have been completed and payment of the applicable taxes and fees, if any, have been received or deducted.
- 4.7.1.6** Application for transfer can be submitted on any Business Day during banking hours.

4.7.2 Partial Transfer

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

4.7.3 Verification of Transfer Application Form

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

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

4.8 Pledge of Units

4.8.1 Request for Pledge/Lien of Units

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

4.8.2 Removal of Pledge/Lien of Units

The pledge/lien once registered shall be removed only through authorisation of the party in whose favour the pledge/lien has been registered or through an order of a competent court. Neither the Trustee, nor the Management Company, nor the Registrar shall be liable for ensuring the validity of any such pledge / charge / lien. The disbursement of any loan or undertaking of any obligation against the constitution of such pledge / charge / lien by any party shall be at the entire discretion of such party and neither the Trustee nor the Management Company nor the Registrar takes any responsibility in this matter.

4.8.3 Dividend / Bonus / Redemption of Units Pledged

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

4.9 Suspension of Dealing, Queue System and Winding Up

Subject to compliance with the Regulations, under the circumstances mentioned in clause 4.10 of the Offering Document, the Management Company may request the trustee to approve a temporary change in the method of dealing in units. Such approval shall not be unreasonably withheld.

4.9.1 Suspension of fresh Issue of Units

The Management Company may at any time, subject to the Regulations as may be modified from time to time, suspend the issue of fresh Units. Such suspension may however not affect existing subscribers for the issue of bonus units as a result of profit distribution or the option to receive dividends in the form of additional units. The Management Company shall announce the details of exemptions at the time a suspension of fresh issue of Units is announced. The Management Company shall immediately notify the Commission if issue of fresh Units is suspended and shall also have the fact published, immediately following such decision, in the newspaper in which the fund's prices are normally published.

4.9.2 Suspension of redemption of Units

- a. The Redemption of Units may be suspended during extraordinary circumstances including closure of one or more Stock Exchanges on which any of the securities invested in by the Scheme are listed, the existence of a state of affairs, which in the opinion of the Management Company, constitutes an emergency as a result of which disposal of any investment would not be reasonably practicable or might seriously prejudice the interest of the Scheme or of the Unit Holders, or a break down in the means of communication normally employed in determining the price of any investment, or when remittance of money can not be carried out in reasonable time and if the Management Company is of the view that it would be detrimental to the remaining Unit Holders to redeem Units at a price so determined in accordance with the Net Asset Value (NAV). The Management Company may announce a suspension or deferral of redemption and such a measure shall be taken to protect the interest of the Unit Holders in the event of extraordinary circumstances or in the event redemption requests accumulate in excess of ten percent of the Units in issue. In the event of a large number of redemption requests accumulating, the requests may be processed in a Queue System and under extreme circumstances the Management Company may decide to wind up the Fund (Details of the procedure are given in Clause 4.9.2(b) here in below). In the event of extra-ordinary circumstances, the Management Company may suspend or defer Redemption of Units. The circumstances under which the Management Company may suspend redemption shall be the event of war (declared or otherwise), natural disasters, a major break down in law and order, breakdown of the communication system, closure of the capital markets and /or the banking system or strikes or other events that render the Management Company or the Distributors unable to function.
- b. Such suspension or queue system shall end on the day following the first Business Day on which the conditions giving rise to the suspension or queue system shall in the opinion of the Management Company have ceased to exist and no other condition under which suspension or queue system is authorized under the Deed exists. In case of suspension and invoking of a queue system and end of suspension and queue system the Management Company shall immediately notify the SECP and Trustee and publish the same in newspapers in which the Fund's prices are normally published.

4.9.3 Queue System

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

4.9.4 Winding up in view of major redemption

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

4.10 Offer (Purchase) and Redemption (Repurchase) of Units outside Pakistan

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

4.10.2 In the event that the Redemption Price for Units shall be paid in any country outside Pakistan, the price at which such Units may be redeemed may at the discretion of the Management Company include as a deduction to the Redemption Price as hereinbefore provided a further amount sufficient to cover any exchange risk insurance and any additional stamp duty or taxation whether national, local or otherwise leviable in that country in respect of such payment or redemption or any bank or other charges incurred in arranging the payment or any other cost in general incurred in providing this facility.

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

4.11 SERVICE TO UNIT HOLDERS

4.11.1 Availability of Forms

All the forms mentioned and/or included in this Offering Document will be available at the Management Company, all the Authorized Branches of all Distribution Offices or on its web site at www.namco.com.pk

4.11.2 Register of Unit Holders

- a) A Register of Unit Holders shall be maintained by Transfer Agent Department of the Transfer Agent namely M/s Technology Trade (Pvt) Ltd having its office at Dagia House, 241-C, Block-2, P.E.C.H.S., Karachi.
- b) Every Unit Holder will have a separate account folio. Such account will reflect all the transactions in that account held by such Unit Holder.
- c) The Holder will be entitled to inspect his record in the Register and request copies thereof on any Business Day from 10.00 A.M. to 1.00 P.M., except during the days when the Register is closed in accordance with the provision of the Deed, with the prior arrangement with the Management Company or the Transfer Agent.
- d) The Register shall be conclusive evidence as to the Units held by each Holder.

4.11.3 Information in the Register

The Register will contain the following information:

A) About Unit Holders

- 1) Name of Unit Holder/Joint Holders;
- 2) Address of Unit Holder/first named joint Holder;
- 3) National Identification Number(s) of Unit Holder/ Joint Unit Holders and or identification number of passport if applicable
- 4) Father's/Husband's name of Unit Holder in case of individuals;
- 5) Occupation of Unit Holders/joint Holders;
- 6) Tax/Zakat status of Holder;
- 7) Record of signature of Holder; and
- 8) Bank details
- 9) Particulars of Nominee(s);
- 10) Such other information as the Management Company may require

B) About Units

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

C) Instructions

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

D) Request for Changes

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

4.11.4 Account Statement

Upon written confirmation from the Trustee that the Offer Price for each Unit has been received in full from the applicant, the Transfer Agent shall issue an

Account Statement that will constitute evidence of the number of Units registered in the name of the Holder.

The Transfer Agent will send directly to each Unit Holder a non-transferable Account Statement each time there is a transaction in the folio that shall cover the following activity pertaining to Units as:

- (1) issued/subscribed,
- (2) redeemed
- (3) transferred in favor of third person
- (4) transferred from third person in favor of Unit Holder
- (5) consolidated / split and
- (6) additional Units are issued against reinvestment of dividend.

An account statement will be posted within 15 Business Days after each relevant transaction

4.11.5 Closure of Register

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

4.11.6 Certificates

- a) Unit Certificates will be issued only if requested by the Unit Holders together with a fee at the rate of Rs. 50/ (Rupees fifty) per certificate or any other amount as determined by the Management Company from time to time.
- b) Certificates where requested shall be issued as herein provided not later than fifteen Business Days after the date of such request. The Certificate may be sent to the Holder or his duly authorized nominee at his own risk by registered post or by delivery or may be collected by the Unit Holder from the Distribution Company.
- c) In the case of Units held jointly the Transfer Agent shall not issue more than one Certificate for the Units held by such joint Holders and delivery of such Certificate to the Holder named first therein shall constitute sufficient delivery to all joint Holders. All payments required under this Deed (i.e. redemption and dividend) will be made to first named joint Holder.

- d) Certificates shall be issued in such form as may from time to time be agreed between the Management Company and the Trustee. A Certificate shall be dated, shall bear the name and address of the Management Company and the Trustee, shall bear a serial number and shall specify the number of Units represented thereby and the name and address of the Holder as appearing in the Register.
- e) Certificates shall only be issued for Units that have been fully paid, in such denomination as may be required by the Holder.
- f) Certificates will not be issued for fractional Units.

4.11.7 Replacement of Certificates

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

- c) Before the issuing of any Certificate under the provisions of this sub-clause the Distribution Company/Transfer Agent may require from the applicant for the Certificate the payment to it of a fee of Rs. 50/ (Rupees fifty) for each Certificate, subject to revisions of fee from time to time by the Management Company together with a sum sufficient (if any) in the opinion of the Management Company to cover any Duties and Charges payable in connection with the issue of such Certificate.

4.12 PROCEDURE FOR REQUESTING CHANGE IN UNIT HOLDERS PARTICULARS:

4.12.1 Who can request change?

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

4.12.2 Joint Holders

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

4.12.3 Nomination

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

5. DISTRIBUTION POLICY

5.1 Distribution Policy

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

The Fund shall distribute by way of dividend to the unit holders not less than 90% of the income received or derived from sources other than capital gains as reduced by such expenses as are chargeable to the scheme under the Regulations

5.2 Declaration of Dividend

The Management Company shall decide as soon as possible but not later than three months after the end of the Accounting Period whether to distribute profits, if any, available for distribution in the form of dividend to the Unit Holders as per their directive communicated to Management Company (as mentioned in clause 4.2 of this offering document). The Management Company will advise the trustee of the rate of such distribution per unit accordingly. Such profits may be distributed in bonus units, cash or a combination thereof.

5.3 Determination of Distributable Income

5.3.1 The amount available for distribution in respect of any Accounting Period shall be determined by the Management Company and shall be the sum total of;

- a) the total income earned on the Fund property during such accounting period including all amounts received in respect of dividends, Mark up, Profit etc.
- b) net realized appreciation as set out in sub clause 5.3.3 of the offering document from which shall be deducted expenses as set out in sub clause of 6.2 of the offering document and such other adjustment as the Management Company may determined in consultation with auditors, subject to the Rules, Reugulations and Provisions of the income tax Ordinances and the rules thereunder

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

- a) deduction of a sum by way of adjustment to allow for effect of purchase of shares or any of the investments cum dividend, interest, profit or mark-up;
- b) addition of a sum representing amounts included in the price of Units for income accrued up to the date of issue and deduction of a sum representing all participation in income distributed upon redemption of Units during the relevant period.

- c) adjustment if considered necessary by the Management Company to reflect diminution in value of Trust Property in consultation with the Trustee.

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

5.4 Reinvestment of Cash Dividend

In case of Income Units, a Unit Holder may in writing at the time of purchase of units or at a later date instruct the Management Company to reinvest the future cash dividends to which he shall be entitled into Units of the Scheme. The Offer Price for the units to be issued shall be the ex-dividend Net Asset Value specified by the Management Company for the relevant distribution period.

5.5 Bonus Units

In case of Growth Units, bonus units issued would rank *pari passu* as to their rights in the Net Assets, earnings, and receipt of dividend and distribution with the existing units from the date of issue of these bonus units. The account statement shall be dispatched to the Unit Holder within fifteen (15) days of the issue of bonus units. The Unit Holder has the option to encash the bonus units at the ex-dividend Net Asset Value specified by the Management Company for the relevant distribution period.

5.6 Encashment of Bonus Units

A Unit Holder of Growth Units may elect to receive the cash value of the bonus units provided such Unit Holder opts for such an arrangement at the time of applying for the Units or requests the Transfer Agent in writing for the same prior to the distribution declaration for any relevant period. The bonus units shall be redeemed at the ex-dividend Net Asset Value specified by the Management Company for the relevant distribution period, without any charge of back-end load.

5.7 Payment of Cash Dividend

All payments for cash dividend shall be made by transfer of funds to the Unit Holder(s) designated bank account as mentioned in the Investor Account opening form or through any other mode(s) of payment and such payment shall be subject to the Regulations.

5.8 Dispatch of Dividend Warrants/ Advice

Dividend warrants/advice and or Account Statement as the case may be shall be dispatched to the Unit Holder's or the charge-holder's registered address within fifteen days of the issue of such warrants, and as per the Regulations

6 - FEES AND CHARGES

6.1 Fees and Charges Payable by an Investor

6.1.1 Sales and Processing Charges

A Front-end Load not exceeding five percent (5%) of the Net Asset Value may be included in the Offer Price. (The current Front End Load is Nil as indicated in Annexure "A"). The issue price applicable to bonus Units issued by way of dividend distribution or issue of Units in lieu of cash distribution shall not include any Front-End Load. Transfer of Units from one owner to another shall be subject to a processing charge of an amount not exceeding one percent (1%) of the Net Asset Value at the date the request is lodged within business hours on the business day to the Authorized Distributor, or Transfer Agent or Management Company, which shall be recovered from the transferee.

6.1.2 Remuneration of Distribution Company / Investment Facilitator / Sales Agents

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

6.1.3 Redemption Processing Charge (Back-end Load)

The Unit Redemption Price is calculated after deducting a processing charge not exceeding 5% percent from the Net Asset Value of the Unit (The current level of Back-end Load is NIL as indicated in Annexure "A"). The back-end load shall form part of Trust Property.

6.2 Fees and Charges Payable by NAMCO Income Fund

The following expenses will be borne by the Fund:

6.2.1 Remuneration of the Management Company

The Management Company shall be entitled to receive:

A remuneration of an amount not exceeding three percent (3.0%) per annum of the average annual Net Assets for the first five years of the scheme and there after of an amount equal to two percent (2.0%) per annum of the average annual Net Assets. The current level of Management fee has been set as per Annexure-D.

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

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

6.2.2 Remuneration of the Trustee

The Trustee shall be entitled to a monthly remuneration out of the Deposited Property based on an annual tariff of charges, which shall be applied to the average daily Net Asset Value during such calendar month. The remuneration shall begin to accrue from the close of the Initial Period. For any period other than a full calendar month such remuneration will be prorated on the basis of the actual number of days for which such remuneration has accrued.

6.2.3 Other Costs and Expenses

6.2.3.1 Brokerage and Transaction Costs related to investing and disinvesting of the Trust Property.

6.2.3.2 Bank charges and borrowing / financial costs.

6.2.3.3 Auditors' Fees and expenses; and

6.2.3.4 Formation Cost estimated at but not exceeding one percent (1%) of the Core Investment (Seed Capital) that will be amortized over a period not less than five years.

6.2.3.5 Listing Fee payable to the Stock Exchange(s) on which Units may be listed.

6.2.3.6 Annual fee payable to the Commission under Rule 79 of the Rules.

6.2.3.7 Taxes, if any, applicable to the Trust and its income and/or its properties. Rating fee and other expenses directly related to or arising out of the activities of the Fund.

6.2.3.8 Charges and levies of stock exchange(s), Commission charges, National Clearing and Settlement Company, CDC, CVT, Laga, Fund Dividend/Redemption of units transfer charges as payable to bank at time of transfer of funds to Unit Holder and other levies and charges.

6.2.3.9 Rating fee of Collective investment scheme payable to approved rating agency

6.2.3.10 All expenses incurred by Trustee affecting the registration of all registerable property in Trustee's name for the benefit of the Fund, are reimbursable at actual, out of the Fund's properties.

6.2.3.11 Any costs incurred by the Trustee such as legal and related costs incurred in protecting or enhancing the interests of the Fund or the collective interest of the Unit Holders, are reimbursable at actual, out of the Fund's properties.

6.2.3.12 Any printing cost and related expenses for issuing the collective investment scheme's quarterly, half yearly and annual reports etc.

6.2.3.13 Any other expense or charge as may be permitted by the commission.

6.3 Expenses of the Management Company and the Trustee

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

7 - TAXATION

7.1 Taxation on the Income of the Fund

7.1.1 Liability for Income Tax

The following is a brief description of the Income Tax Ordinance, 2001, applicable in respect of NIF. This section is for advice only and potential investors should consult their tax experts for their liability with respect to taxation on income from investment in the Fund. This part does not cover tax liability of non-Pakistani resident investors with respect to taxes in their own jurisdiction.

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

- a) Dividend Income at applicable tax rates.
- b) Capital gain arising on sale of securities listed on any Stock Exchange(s) in Pakistan is exempt from tax up to tax year 2008.
- c) Income from Term Finance Certificates or Corporate Paper(s) Government Securities, return on deposit/Certificates of Investment/deposits with banks/financial institutions, money market transactions, profit and loss sharing accounts with banks etc., is taxable at the rate applicable to a public company (as per Income Tax law). However, income from brokerage and commission is subject to final taxation and the applicable withholding tax will be the final tax on this income.

7.1.2 LIABILITY FOR INCOME TAX IF 90% OF INCOME IS DISTRIBUTED

Notwithstanding the tax rates given above, the income from the Fund will be exempted from tax if 90% or more of its income for the year as reduced by capital gains whether realized or unrealized is distributed amongst the Unit Holders. Further under the provisions of clause 47(b) of Part IV of the Second Schedule to the Income Tax Ordinance, 2001 the Fund's income from dividend, profit on debt, brokerage and commission is exempt from withholding tax under relevant provisions of Law.

7.1.4 Capital Value Tax

Capital Value Tax (CVT) will be paid at applicable tax rates on relevant transactions.

7.1.3 Zakat

NIF is Saheb-e-Nisab under the Zakat and Ushr Ordinance, 1980. The balance in the credit of savings bank account, or similar account with a bank standing on the first day of Ramzan-ul-Mubarak will be subjected to Zakat deduction @ 2.5%.

7.2 Taxation on Unit Holders

Disclaimer: The information set forth below is included for general information purposes only. Each investor is advised to consult a tax advisor regarding the specific tax consequences to him/her of investing in the Fund.

7.2.1 Unit Holders of the Fund will be subject to Income Tax @ 10% on dividend income (excluding the amount of dividend paid out of capital gains on which tax has already been paid).

The payer will be required to withhold the amount of tax at source from payment of dividend, wherever applicable.

The tax deducted on dividend at the rates specified above will be the final tax except for companies. In the case of companies, dividend income will be taxable under the normal tax regime and will be charged to tax at the rate of 10 percent.

The tax deducted on dividend at the rates specified above will be the final tax (except for companies) and the payer will be required to withhold the amount of tax at source from payment of dividend.

Unit Holders who are exempt from income tax may obtain exemption certificate from the Commissioner of Income Tax and provide the same to the Management Company and/or Transfer Agent and on the basis of Exemption Certificate income tax will not be withheld.

7.2.2 Capital Gains

Capital Gains on disposition of Units in the Fund will be subject to tax on capital gain at the applicable tax rate. The Units of the Fund will be listed on the Stock Exchange(s). Consequently, subject to such listing, the Capital Gain on disposal of the Units shall be exempt from tax up to Tax Year ending on 30th day of June 2008 (in the case of banking companies, this exemption period has already been completed as their new tax year 2009 has commenced from January 01, 2008).

7.2.3 Tax Credit

Unit Holders other than a company shall be entitled to a tax credit under Section 62 of the Income Tax Ordinance, 2001, on purchase of new Units. The amount on which tax credit will be allowed shall be lower of (a) amount invested in purchase of new Units, (b) 10% of the taxable income of the Unit Holder or (c) Rupees three hundred thousand, and will be calculated by applying the average rate of tax of the Unit Holder for the tax year. If the Units so acquired are disposed within 12 months, the amount of tax payable for the tax year in which the Units are disposed shall be increased by the amount of tax credit.

7.2.4 Zakat

Units held by resident Pakistani Unit Holders (individuals only) shall be subject to Zakat at 2.5% of the Par value of the 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 proceeds.

7.3 Dividend

The Fund shall distribute 90% or more of its accounting income for the year as reduced by capital gains amongst the Unit Holders as Bonus Units and/or cash dividend in order to avail tax exemption in the interest of the Unit Holders(s).

7.4 Disclaimer

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

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

8 - REPORTS AND ACCOUNTS

8.1 Financial Year of Fund/Trust

The Accounting Period shall be the period ending on and including an Accounting Date and commencing (in case of the first such period) on the date on which the fund property is first paid or transferred to the trustee and in any other case from the end of the preceding Accounting Period. The Accounting Date shall be the thirtieth day of June in each year., and any interim dates at which the financial statements of the fund are drawn up. Provided however that the Management company may with the consent of the Trustee and after obtaining approval of the Commission and the Commissioner of Income Tax, change such date to any other date.

8.2 Reports to the Unit Holders

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

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

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

8.3 Financial Information

8.3.1 Auditors certificate on Core Investors' investment in the Units of NIF.

AUDITORS' CERTIFICATE

8.3.3 Formation Cost

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

9 - WARNING

9.1 Offering Document If you have any doubt about the contents of this offering document, you should consult one or more from amongst your legal adviser, stockbroker, bank manager, or other financial adviser.

9.2 Fluctuation in Price and Income

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

9.3 Disclaimer

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

10 - GENERAL INFORMATION

10.1 Inspection of Constitutive Documents

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

National Asset Management Company Limited
19C, Sunset Lane-6
South Parke Avenue
DHA, Phase-II (Ext)
Karachi

10.2 Date of Publication of Offering Document

The Offering Document has been published on _____. The Management Company accepts responsibility for the information contained in the Offering Document as being accurate at the date of publication.

11 - TERMINATION OF NAMCO INCOME FUND

11.1 By the Management Company

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

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

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

11.3 Winding up

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

11.4 Distribution on liquidation, winding up or termination

Upon the Trust being terminated the Management Company shall suspend the Sale and Redemption of Units forthwith and proceed to sell all Investments then remaining in the hands of the Trustee as part of the Fund Property and shall repay any borrowing effected by the Trust together with any mark-up remaining unpaid.

The Trustee on the recommendation of the Management Company shall from time to time distribute to the Unit Holders pro rata to the number of Units held by them respectively all net cash proceeds derived from the realization of the Fund Property after making payment and retaining such sum as considered or apprehended by the Management Company for all costs, charges, expenses, claims and demands

12 - DEFINITIONS

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

- 12.1 “Accounting Date”** means the thirtieth day of June in each year provided that the Management Company with the written consent of the Trustee, change such date to any other date and such change shall be intimated to the Commission.
- 12.2 “Accounting Period”** means a period ending on and including an Accounting Date and commencing (in case of the first such period) on the date on which the Trust Property is first paid or transferred to the Trustee and (in any other case) from the end of the preceding Accounting Period.
- 12.3 “Account Statement”** means statement of transactions in Units in the folio of the Holder.
- 12.4 “Audit Date”** means the date on which the Auditor issues its report in respect of the Scheme’s balance sheet and income and expenditure account for the corresponding Accounting Period.
- 12.5 “Auditors”** means a firm of chartered accountants that is appointed by the Management Company, with the consent of Trustee, as the auditor for the Scheme, who shall be independent of the auditor of the Management Company and the auditor of the Trustee, as provided under the Regulations;
- 12.6 “Authorised Branch” or “Branches”** means those branches of the Distributors authorised by the Management Company to perform the Distribution Function.
- 12.7 “Authorized Investment”** means investments transacted, issued, traded or listed inside or outside Pakistan and includes any of the following:
- a) Government of Pakistan Investment Bonds, Federal Investment Bonds, Treasury Bills and other Government Securities;
 - b) Secured and listed debt securities issued by local governments, government agencies
 - c) Secured and listed debt securities issued by public sector entities and/or financial institutions.;
 - d) Secured and listed debt securities issued by private sector entities and / or financial institutions;
 - e) Debentures and Debenture stocks;
 - f) Participation Term Certificates;
 - g) Privately Placed Term Finance Certificates;
 - h) Listed Term Finance Certificates;

- i) Modaraba Certificates and Musharika Certificates;
- j) Sukuks;
- k) Asset-backed or mortgage-backed securities or debt securities traded in the Over-the-counter (OTC) Markets;
- l) Long, medium and short term deposits with commercial banks;
- m) Long, medium and short term deposits in foreign currencies with Commercial
- n) Banks after prior approval of the applicable regulatory authorities;
- o) Commercial Papers;
- p) Convertible debt securities issued by corporates / financial institutions;
- q) Certificates of Investments/Deposits issued by financial institutions;
- r) Reverse REPO Transactions against money market and fixed income securities;
- s) Continuous Funding System (CFS); or its replacement thereof with necessary SECP approval, if so required. Investment in CFS shall be restricted upto a maximum of 50% of Net Assets of the Fund, with not more than 20% of the aforesaid CFS amount in one scrip at the time of investment;
- t) Spread Transactions, NAMCO Income Fund will enter into transactions aimed at earning a spread in the price of securities resulting from the timing difference between ready and future settlements. NAMCO Income Fund will buy in the ready settlement market and sell in future settlement market and reverse thereof. Both the transactions will be carried out simultaneously so as to avoid any risk emanating from the movement in the prices of underlying securities. In the future if there are certain changes in methodology of settlement of futures transactions, a revised mechanism will be permissible subject to the SECP's special or general approval;
- u) Subject to obtaining separate prior approval of SECP or other regulatory approvals, the Scheme may seek to invest in foreign fixed income and money market securities on such terms, guidelines and direction as may be issued by the SECP and the State Bank of Pakistan from time to time;
- v) Derivatives including Warrants, Options, Interest rate swaps, Forward Rate Agreements, any other derivative instruments subject to the prior written approval of SECP. Investment in this asset class would be for hedging purposes only and subject to such terms and conditions as approved by the SECP from time to time; and
- w) Any other money market/fixed income security and/or instruments that may be allowed by the SECP and the Rules;

The investments in aforesaid asset classes shall be subject to such exposure limits and minimum ratings as specified in the Offering Document.

- 12.8 “Back-end Load”** means a processing charge deducted from the Net Asset Value in determining the Redemption Price.
- 12.9 “Bank”** means a banking company licensed under the Banking Companies Ordinance, 1962 or any other regulation for the time being in force and shall include a bank incorporated outside Pakistan and carrying on Banking Business in Pakistan as a scheduled bank.
- 12.10 “Bank Accounts”** means those account(s) opened and maintained for the Trust by the Trustee at Banks, the beneficial ownerships in which shall vest in the Unit Holders..
- 12.11 “Business Day”** means a day (such business hours thereof) when Banks are open for business in Pakistan and / or such hours for which Management Company is open for business.
- 12.12 “Continuous Funding System (CFS)”** means a form of financing through the Stock Exchange consisting of two simultaneous transactions, the first for purchase of an underlying security (shares) on the following scheduled settlement date for the security and the second for selling back the security for a subsequent settlement date.
- 12.13 “Certificate”** means the definitive certificate acknowledging the number of Units registered in the name of the Holder issued at the request of the Holder pursuant to the provisions of this Deed.
- 12.14 “Companies Ordinance”** means the Companies Ordinance, 1984, as amended from time to time.
- 12.15 “Commission”** means the Securities and Exchange Commission of Pakistan, established under section 3 of the Securities and Exchange Commission of Pakistan Act, 1997.
- 12.16 “Connected Person”** shall have the same meaning as in the Rules.
- 12.17 “Constitutive Document”** means the Trust Deed that is the principal document governing the formation, management or operation of the Trust, the Offering Document and all material agreements in relation to the Trust.
- 12.18 “Core Investors”** of the Scheme shall be such initial Investors whose subscription shall in aggregate be in compliance of the requirements of the Regulations. The Core Investors shall be issued with Core Units representing their subscriptions. Particulars of the Core Investors shall be included in the Offering Document that shall be issued for this Trust.
- 12.19 “Core Units”** means such Units of the Trust that are issued to Core Investors with the condition that these are not redeemable for a period of two years from the date of issue. However, such Units are transferable with this condition and shall rank pari passu with all other Units save for this restriction. Any transfer of these Core Units, during the first two years of their issue, shall be affected only on the receipt by the Transfer Agent of a written acceptance of this condition by the transferee and the Management Company will, prior to such transfer, intimate the Commission.

12.20 “Custodian” means: a Bank, a Depository or an Investment Finance Company licensed under the Regulations, which may be appointed by the Trustee with the approval of the Management Company to hold and protect the Trust Property or any part thereof as custodian on behalf of the Trustee; and shall also include the Trustee itself if it provides custodial services for the Fund.

12.21 “Distribution Account” means the account (which may be a current, saving or deposit account) maintained by the Trustee with a Bank, approved by the Management Company in which the amount required for the distribution of income to the Holders shall be transferred.

12.22 “Distributor/ Distribution Company” means a person, company, firm or a Bank appointed by the Management Company with the consent of the Trustee for performing the Distribution Function and shall also include the Management Company itself, if it performs the Distribution Function.

12.23 “Distribution Function” means with regard to:

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

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

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

- 12.26 “Front-end Load”** means the Sales Load that is included in the Offer Price of Units.
- 12.27 “Government Securities”** means securities and other instruments issued and to be issued by any Federal or Provincial Government or Municipal Bodies of the Islamic Republic of Pakistan and/or State Bank of Pakistan, including but not limited to Federal Investment Bonds, Pakistan Investment Bonds and any securities/ instruments replacing or substituting the foregoing from time to time.
- 12.28 “Holder” or “Unit Holder”** means the investors for the time being entered in the Register as owner of a Unit, including investors jointly so registered pursuant to the provisions of this Deed.
- 12.29 “Initial Period of Offer”** means the same as “Initial Offering Period” and “Initial Public Offer” which means the period determined by the Management Company which shall not exceed ten days (provided that this period may be extended with the prior approval of SECP) during which Units shall be offered at Initial Price in of Offering Document.
- 12.30 “Initial Price”** means the price of Rs. 100 per Unit offered by the Management Company during the Initial Period of Offer.
- 12.31 “Investment”** means any Authorised Investment forming part of the Trust Property.
- 12.32 “Investment Facilitator/ Sales Agents”** means an individual, firm, corporate or other entity appointed by the Management Company to identify, solicit and assist investors in investing in the Scheme. The Management Company shall compensate the Investment Facilitators/ Sales Agents out of the Sales Load collected by it in the Offer Price.
- 12.33 “Net Assets”** shall have the same meaning as in the Rules. and Regulations
- 12.34 “Net Asset Value” or “NAV”** means per Unit value of the Trust arrived at by dividing the Net Assets by the number of Units outstanding.
- 12.35 “No Sales Load”** means no Sales Load payable on sale or redemption of Units.
- 12.36 “Offer Price”** means the sum to be paid to the Trustee for issuance of one Unit, such price to be determined pursuant to clause 7.1 of the Deed.
- 12.37 “Offering Document”** means the prospectus or other document (issued by the Management Company with written consent of the Trustee and approved by the Commission) which contains the investments and distribution policy, unit structure(s) and all other information in respect of the Unit Trust, as required by the Rules and Regulations and is circulated to invite offers by the public to invest in the Scheme.
- 12.38 “Online”** means transactions through electronic Data Interchange whether real-time transactions or otherwise which may be through the internet, intranet networks and the like.
- 12.39 “Ordinance”** means the Securities and Exchange Ordinance, 1969, as amended from time to time.
- 12.40 “Par Value”** means the First Offer Price of a Unit that shall be Hundred Rupees.

12.41“**Permitted Amendments**” is defined in clause 14.1 of the Deed.

12.42“**Personal Law**” means the law of inheritance and succession as applicable to the individual Unit Holder.

12.43“**Redemption Price**” means the amount to be paid to the relevant Holder of a Unit upon redemption of that Unit, such amount to be determined pursuant to clause 7 of the Deed.

12.44“**Register**” means the Register of the Holders kept pursuant to the Rules, Regulations and the Trust Deed.

12.45“**Registrar Functions**” means the functions with regard to:

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

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

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

12.48 “**Sales Load**” means the sales and processing charge or commission (excluding Duties and Charges) not exceeding five percent (5%) of the Net Asset Value. The Management Company may, at its discretion, charge different levels of the load to different Investors from time to time.

12.49 “**Stock Exchange**” means Karachi Stock Exchange, Lahore Stock Exchange, Islamabad Stock Exchange or any other stock exchange registered under Section 5 of the Ordinance.

12.50 “**Subscription Day**” means every Business Day provided that the Management Company may with the prior written consent of the Trustee and upon giving not less than seven days notice in at least two newspapers widely circulated in Pakistan, declare any particular Business Day not to be a Subscription day.

- 12.51 “Supplementary Offering Document”** means a document issued by the Management Company, in consultation with the Trustee, after seeking approval of the Commission, describing the special features of an administrative plan offering investment in the Income Fund or a combination of the Income Fund and other schemes managed by the Management Company, or any amendments made to the Offering Document.
- 12.52 “Transaction Cost”** means the cost incurred or estimated by the Management Company to cover the cost (such as but not restricted to, brokerage, Trustee charges, taxes or levies on transactions, etc.) related to the investing or disinvesting activity of the Trust’s portfolio, inter alia, necessitated by creation or cancellation of Units, which costs may be added to the NAV for determining the Offer Price of Units or to be deducted from the NAV in determining the Redemption Price.
- 12.53 “Transfer Agent”** means a company including a Bank that the Management Company may appoint for performing the Registrar Function or the Management Company may itself perform the registrar function.
- 12.54 “Trust”, “Unit Trust”, “Fund” or “Scheme”** means the Unit Trust constituted by this Trust Deed for continuous offers for sale of Units.
- 12.55 “Trust Deed” or “Deed”** means the Trust Deed executed between the Management Company and the Trustee along with all exhibits appended hereto.
- 12.56 “Trust Property” or “Fund Property”** means the aggregate proceeds of the sale of all Units at Offer Price after deducting therefrom or providing there against any applicable Front-end Load and Duties and Charges and Transaction costs and any other expenses chargeable to the Fund; and includes the Investment and all income, profit and other benefits arising therefrom and all cash, bank balances and other assets and property of every description for the time being held or deemed to be held upon trust by the Trustee for the benefit of the Holders pursuant to this Deed but does not include any Back-end Load payable to the Management Company or any amount available for distribution in the Distribution Account.
- 12.57 “Unit”** means one undivided share in the Trust and where the context so indicates a fraction thereof.

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

Annexure A

Current level of load

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

Any change in the load structure provided that it is within the maximum limit specified in the constitutive documents shall be notified through an addendum to this annexure and/or by publication in a widely circulated newspaper, as and how the SECP may direct.

Annex-B

Forms and other information of the Fund can be collected from the following address of the Management Company

Registered Office:

National Asset Management Company Limited
179-B, Abubakar Block
New Garden Town
LAHORE
Tel: (0092-042) 111 000 016
Fax : (0092-042) 5862152
URL: www.namco.com.pk
Email : info@namco.com.pk

Principal Office:

National Asset Management Company Limited
19C, Sunset Lane-6
South Park Avenue
D.H.A., Phase-II (Ext)
KARACHI
Tel: (0092-021) 5312416-9
Fax : (0092-021) 5395924
URL: www.namco.com.pk
Email : info@namco.com.pk

Annex- C

The Trustee remuneration shall consist of reimbursement of actual custodial expenses/ charges plus the following:

0.15% per annum flat on NAV

Annexure – D

The current level of Management Fee payable to Management Company as remuneration has been set at 1.25%

Any change in the Management Fee provided that it is within the maximum limit specified in the constitutive documents and regulations shall be notified to the unit holders through an addendum to this annexure and/or by publication in a widely circulated newspaper, as and how the SECP may direct.

FORMS