

**FIRST SUPPLEMENTAL  
TO THE  
OFFERING DOCUMENT OF  
MCB DYNAMIC ALLOCATION FUND  
(MCB-DAF)  
MANAGED BY  
MCB-ARIF HABIB SAVINGS AND INVESTMENTS LIMITED**

**Dated: 22<sup>nd</sup> July, 2014**

**First Supplemental dated 22<sup>nd</sup> July, 2014 to the Offering Document of MCB Dynamic Allocation Fund (MCB-DAF) issued on March 12, 2008.**

**Managed by MCB-Arif Habib Savings and Investments Limited, an Asset Management Company managing Collective Investment Schemes, registered with the Securities and Exchange Commission of Pakistan (SECP and regulated under the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 and the Non-Banking Finance Companies and Notified Entities Regulations, 2008)**

MCB Dynamic Allocation Fund (the Fund/the Scheme/the Trust/the Unit Trust/MCB-DAF) has been established in Pakistan as an Open-ended unit trust scheme under the Non-Banking Finance Companies and Notified Entities Regulations, 2008 (the “Regulations”) and registered under the Trust Act 1882 (11 of 1882) by a Trust Deed dated November 22, 2007, entered into and between MCB Asset Management Company Limited, as the Management Company and the Central Depository Company of Pakistan Limited, as the Trustee. MCB Asset Management Company Limited has been amalgamated with and into Arif Habib Investments Limited with effect from June 27, 2011. After this date, MCB-Arif Habib Savings and Investments Limited is acting as the Management Company of MCB-DAF.

Effective from 3<sup>rd</sup> November, 2014, the following clauses and sub-clauses of the Offering Document have been revised to read in their entirety as follows:

**1. Addition of Clause 2.2(a)**

*New clause to be read as*

**Benchmark**

The benchmark for MCB Dynamic Allocation Fund shall be a Weighted average of KSE-100 index, 6-months PKRV, 6-month kibar and Minimum Savings Rate as per amount invested in equities, govt. securities, other debt & fixed income investments and Cash & Cash Equivalents respectively on a particular time period; Cash & Cash Equivalents weight shall equal to the minimum weight prescribed for it in NBFC Regulations for Asset Allocation Funds Category. All Weightages shall be calculated as a percentage of net assets and shall be reset at the end of each month.

**2. Addition of Clause 2.3(a)**

*New clause to be read as*

**Investment in Futures Contracts**

The purpose of investment in future contracts is to meet the investment objectives of MCB-DAF. Maximum total exposure in futures contracts shall not at any time exceed 90% of total Net Assets of MCB-DAF subject to the following risk management and compliance procedures:

- a) All positions in the future contracts shall be subject to the single entity and sector limits as prescribed under Regulation 55(5) & (6) of the NBFC Regulations and

shall also adhere to the position limits prescribed by KSE in Risk Management Regulations.

- b) Exposure in future contracts shall be marked to market on daily basis as per the requirement of Karachi Stock Exchange;
- c) For the purpose of reporting to the SECP, exposure in future contracts shall be calculated by converting the derivative position into equivalent position in the underlying security.
- d) Preserved cash i.e. the difference between the contract price and upfront margin shall be blocked in an earmarked account for settlement purposes. The Management Company along with the Trustee shall ensure timely payment of settlement amount/margin calls on behalf of MCB-DAF within the time period stipulated by the Karachi Stock Exchange.
- e) Sale position in futures contract without pre-existing interest (short-sale) shall be strictly prohibited.
- f) Spread transactions shall be accounted for in calculating the above-mentioned exposure limits.

### 3. Addition in sub-clause 2.7 of the Offering Document

**Sub-clause 2.7 to be read as after point no. 1, two additional clauses have been added**

- Futures contracts are used for the purposes of hedging or meeting the investment objectives of the Scheme
- risk management and compliance procedures and controls adopted to ensure appropriate risk management mechanism

### 4. Replacement of table shown under Clause 14.6

*New table to be read as*

| Asset Classes  | Minimum Entity Rating | Minimum Instrument Rating | Maximum Exposure Limit (% of total net assets) |
|--|-----------------------|---------------------------|--|
| Government Securities – Treasury Bills, PIBs, GOP Ijara Sukuks Bonds etc.) | Not Applicable        | Not Applicable            | 100%   |
| Listed Equity Securities   | Not Applicable        | Not Applicable            | 90%  |
| Listed and unlisted Term Finance Certificates (TFCs) / Sukuks              | Investment Grade      | Investment Grade          | 90%  |

| <b>Asset Classes</b>   | <b>Minimum Entity Rating</b> | <b>Minimum Instrument Rating</b> | <b>Maximum Exposure Limit (% of total net assets)</b> |
|--|------------------------------|----------------------------------|---|
| Money Market Placements with commercial banks, DFIs and NBFCs  | Investment Grade             | Not Applicable                   | 50%   |
| Term deposits with commercial banks  | Investment Grade             | Not Applicable                   | 50%   |
| Daily product deposits with commercial banks   | Investment Grade             | Not Applicable                   | 100%  |
| Certificate of Deposits (COD) issued by DFI's and NBFC   | Investment Grade             | Not Applicable                   | 25%   |
| Certificate of Musharakas (COM) issued by Modaraba Companies   | Investment Grade             | Not Applicable                   | 25%   |
| Reverse repo transactions against Government Securities  | Investment Grade             | Not Applicable                   | 75%   |
| Margin trading or its replacement thereof  | Not Applicable               | Not Applicable                   | 40%   |
| Spread transactions  | Not Applicable               | Not Applicable                   | 40%   |
| Cash and near cash instruments which include cash in Bank Accounts (excluding TDRs), Treasury Bills not exceeding 90 days maturity | Investment Grade             | Not Applicable                   | 100% (Min 10% exposure at all time)                   |
| Investment in equity future contracts  | Not Applicable               | Not Applicable                   | 90%   |