

RISK PROFILE: HIGH (PRINCIPAL AT HIGH RISK)

Supplementary Offering Document of Smart Trader

An administrative arrangement/plan under the
Pakistan Stock Market Fund (PSM Fund) and
The Pakistan Income Fund

Managed by Arif Habib Investment Management Limited,
An Asset Management Company

1. Introduction

- 1.1. The Smart Trader is an administrative arrangement offered by Arif Habib Investment Management Limited (AHIML) so as to facilitate Subscribers in taking a trading position in the market through the PSM Fund.
- 1.2. Surplus funds may be kept in the Pakistan Income Fund (hereinafter referred to as PIF) or a non-earning account.
- 1.3. All transactions under this arrangement are governed by the respective Trust Deeds both dated 23rd October 2001. Unless specifically altered by this document, all the terms and conditions of the Offering Documents of the PSM Fund and the PIF shall apply.

2. Objectives

- 2.1. The objective of this arrangement/plan is to allow Subscribers to actively buy and sell back Units of the PSM Fund with a minimal transaction cost.
- 2.2. The PSM Fund is likely to have a fair correlation with the KSE-100 Index, thereby allowing a Subscriber the opportunity to take a position in a proxy for the Index.

3. The administrative arrangements

- 3.1. A Smart Trader account may be opened with a minimum of Rs100,000 and transactions may be done in a minimum of Rs.10,000 at a time. The Management Company may, after providing reasonable notice, change the minimum levels for opening and maintaining an account and the individual transactions therein.
- 3.2. The funds deposited in the account shall be invested in the PSM Fund by translating these into Units and fractions thereof and any cash generated through the disinvestment or through receipt of any dividends shall be held in the PIF by translating it into Units and fractions thereof; or a non-earning Pool Account in the name of the Trustee till such time the Smart Trader Subscriber (hereinafter referred to as the Subscriber) places an order to buy PSM Units. The Subscriber shall have the choice of selecting the PIF or the non-earning Pool Account at the time of opening the Smart Trader account.
- 3.3. The Subscriber shall place orders for buying or redeeming the Rupee amount equivalent of Units and fractions thereof of the PSM Fund with a Distributor by filling out and signing the prescribed Order Forms. The transaction shall take place on the day the duly completed Form is lodged with the Distributor. The Management Company may announce other means to facilitate placing of orders. Any order placed with the Distributor shall be fulfilled only to the extent there is a sufficient balance in the Account and is in compliance with the regulations herein.
- 3.4. The Units bought out of funds deposited at the time of opening an account or out of fresh funds added to the account shall be issued at the Offering Price applicable for PSM Fund Units on the day the purchase order is lodged with the Distributor.
- 3.5. Units bought or sold thereafter (out of proceeds of the Units purchased through application of Section 3.3 above and those purchased subsequently and out of dividends relating to such Units credited to the Account) shall be at the special prices applicable for Smart Trader. The Management Company shall announce the Smart Trader Offer and Repurchase prices for every Business Day.
- 3.6. The Smart Trader Prices shall have specially reduced Front-end and Back-end loads, which shall not exceed one-quarter of one percent for the Front Load and one-eighth of one percent for the Back Load. However, the Management Company shall have the right to recover an additional processing charge of upto Rs.100 per transaction to make up the shortfall between the amount of Load generated by the transaction and minimum charge of Rs.100. The Management Company may, after giving reasonable notice, alter the Loads and the minimum charge.
- 3.7. When a Subscriber's order for sale of Units is executed, the funds so generated shall be placed in the Subscriber's name in the PIF or in a Subscribers' Non-earning Pool Account, as selected by the Subscriber at the time of opening the Account.
- 3.8. The dividends if any on the Units acquired by the Subscriber under this plan shall be placed in the Subscriber's name in the PIF or PSM Fund in proportion to the investment in the respective Funds at the dividend cut-off date.
- 3.9. The Subscriber may withdraw funds out of the Smart Trader account by lodging a duly completed and signed Form prescribed for withdrawals provided the value of the Units/funds retained in the account remain at or above the minimum amount required for opening the account. However, a Subscriber is free to withdraw the entire funds in the account by closing the Account or by converting to some other plan offered by the Management Company. The Management Company may announce other means to facilitate withdrawal requests.
- 3.10. The funds that are withdrawn from the Account shall be paid into the Subscriber's designated bank account or, if so chosen by the Subscriber, be converted to some other plan offered by the Management Company after deducting a processing charge not exceeding one-eighth of one percent of the amount. Such payment shall be made to the designated bank within six working days of the withdrawal request being lodged.
- 3.11. The Registrar shall send a statement of account or transaction confirmation report to the Subscriber each time there is activity in the account. Such statement or report shall be sent by ordinary mail to the Subscriber's address recorded in the Register.
- 3.12. Certificates representing Units purchased under this plan shall not be issued.
- 3.13. The registrar shall not record a lien on the funds or Units held in the Smart Trader account.
- 3.14. In the event the Management Company announces a suspension of further Units, it may allow existing Subscribers to continue buying Units out of funds already held in the Smart Trader account.
- 3.15. In the event any changes are introduced in the Plan after an existing Subscriber has made an initial investment in the Plan, the existing Subscriber shall not be under any obligation to comply with the changes. However, if the Subscriber is willing to comply with the changes, he/she shall be welcome to opt for the changed terms and may be required to sign a form accepting the new terms.

4. Risk Disclosure:

- 4.1. In addition to the risks disclosed in the Offering Documents of the PSM Fund and the PIF, the investment in the Units through the Smart Trader account is exposed to the following risk:

- 4.1.1. Time horizon - Since by its very nature, the investment in the Trading Account is intended as a short-term trading account, it carries a higher risk as compared to it being retained as a long-term investment.
- 4.1.2. The PSM Fund is expected to perform with a strong correlation to the KSE-100 Index. However, the composition of the Fund is not identical to the Index, it can therefore behave differently to the Index. Furthermore, the Fund Manager may, in certain circumstances, increase or decrease the weightage in certain shares or reduce the exposure in the equities market altogether. Under such circumstances the PSM Fund is likely to behave differently to the Index.
5. All other matters - The Offering Documents relating to the PSM Fund and the PIF, of which this plan is an administrative arrangement, apply to all matters not covered by this Supplementary Offering Document.
6. "Subscriber" means a unitholder in the Pakistan Stock Market Fund and/or Pakistan Income Fund, as the case may be.