

## RISK PROFILE: MEDIUM (PRINCIPAL AT MEDIUM RISK)

Supplementary Offering Document of  
Smart Portfolio  
An administrative arrangement/plan under  
The PSM Fund and The Pakistan Income Fund  
Managed by Arif Habib Investment Management Limited,  
An Asset Management Company

### 1. Introduction

- 1.1. The Smart Portfolio is an administrative arrangement offered by AHIML so as to facilitate Subscribers in taking an aggressive stance in the stock market while minimising risk to capital.
- 1.2. The investment is allocated in the ratio of 75:25 between our Pakistan Income Fund (which invests in a range of debt instruments, short maturity securities, transactions aimed at earning a spread through simultaneous buying and selling of securities for two different settlement dates and reverse repurchase (REPO) arrangements including Carry Over Transactions (COT). The objective of the Fund is to seek high yields while balancing out the risk into a mix of debt and REPO investments); and our PSM Fund (which is invested mainly in high quality shares that are actively traded; at the same time focus is also kept on shares offering good value).
- 1.3. The portfolio is reallocated each month, or other such frequency as the Management Company may decide, in the 75:25 ratio. In the event the stock market goes up resulting in an increase in the relative weightage of the investment in the PSM Fund, the surplus is encashed and invested in the Income Fund and vice versa; such conversion shall take place provided the amount of conversion exceeds such percentage or absolute Rupee amount that may be determined by the management Company from time to time.
- 1.4. All transactions under this arrangement are governed by the Trust Deeds relating to the two respective Funds i.e., the PSM Fund and the Pakistan Income Fund (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 Pakistan Income Fund shall apply to the respective Units of the two Funds in which investment is made under this plan.

### 2. Objectives

- 2.1. The objective of this plan is to facilitate a Subscriber to take an aggressive stance in the stock market while minimizing risk to capital.
- 2.2. By virtue of the continuous reallocation between the PSM Fund and the Pakistan Income Fund, the portfolio would automatically be adjusted to invest more in the PSM Fund when the stock prices drop and cash out when the prices increase. Thus attempt to make volatility in the stock market work for the Subscriber. At the same time the portfolio is maintained with 75% of the value in the lower risk Pakistan Income Fund, thereby reducing the risk as compared with an all equity portfolio.

### 3. The administrative arrangements

- 3.1. At the present an Smart Portfolio account may be opened with a minimum of Rs. 50,000. The Smart Portfolio subscriber (hereinafter referred to as the Subscriber) may add minimum of Rs. 1,000 per transaction at the Subscribers convenience. Units of PIF and PSM Fund (including fractions thereof) shall be issued against the amount received from the Subscriber in accordance with the terms of the Offering Documents of PIF and PSM Fund. The Management Company may alter the minimum amounts required for opening or maintaining an account. Provided an upward change for maintaining the account or adding funds thereto shall require reasonable notice.
- 3.2. An investor may open a Smart Portfolio by filling out the prescribed Form and lodging it along with the funds (in the prescribed form) being invested with a Distributor.
- 3.3. The Registrar shall send a statement of account to the Subscriber each time there is activity in the account (other than that caused by the automated switching process). Such statement or report shall be sent by ordinary mail to the Subscriber's address recorded in the register.
- 3.4. Certificates representing Units purchased under this plan shall not be issued.
- 3.5. In the event the Management Company announces a suspension of further issue of Units of the PSM Fund or the Pakistan Income Fund, it may allow the regular reallocation between the two Funds to continue for amounts already invested in existing Smart Portfolio.
- 3.6. Dividends declared on the Units held in the Smart Portfolio shall be reinvested in the PSM Fund and the Pakistan Income Fund in proportion to the weightages applicable to the Account at that point in time.
- 3.7. The Registrar shall not record a lien on the funds or Units held in the Smart Portfolio.
- 3.8. The Portfolio shall be reallocated each month, or other such frequency as the Management Company may decide, between the two Funds so as to ensure that the investment is divided between the two Funds in proportion to the 75:25 weightage. In the event the stock market goes up resulting in an increase in the relative weightage of the investment in the PSM Fund, the surplus will encashed (redeemed) and invested in the Pakistan Income Fund and vice versa; such conversion shall take place provided the amount of conversion exceeds such percentage or absolute Rupee amount that may be determined by the management Company from time to time.
- 3.9. 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 respective Offering Prices applicable for PSM Fund and the Pakistan Income Fund Units on the day the funds and the Application Forms are lodged with the Distributor.
- 3.10. Units bought or sold other than through application of Section 3.9 above, including Units purchased out of dividends, shall be at the special prices applicable for the Smart Portfolio whereby the Front-end Load and the Back-end Load shall not be recovered in the respective Offering and Redemption prices of the PSM Fund and the Pakistan Income Fund.
- 3.11. The Subscriber may withdraw funds at any stage by filling out and lodging the prescribed Form with a Distributor. The request shall be processed provided the Account is left with the minimum amount required for maintaining the Account. The Registrar shall redeem Units from each of the two Funds in such a manner that the balance remaining in the Account retains the 75:25 ratio. However, in the event the minimum balance is not being maintained, the Subscriber is free to discontinue the plan at and convert the remaining amount into a standard investment account.
- 3.12. In the event of winding up of the PSM Fund or the Pakistan Income Fund, the Smart Portfolio shall be discontinued and the Units standing to the credit of the Subscriber shall be dealt with the same manner the rest of the Units in the PSM Fund and the Pakistan Income Fund.
- 3.13. 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 Pakistan Income Fund, the investment in the Smart Portfolio is exposed to the following risk:
- 4.1.1. Owing to the volatile nature of the stock market, the Smart Portfolio may suffer losses in the short term. Thus an investment in the Smart Portfolio would be exposed to high risk and possible loss of capital unless the investment is retained for the long term.
- 4.1.2. Whereas it is expected that a long-term investment in the stock market related PSM Fund is likely to out perform the Pakistan Income Fund, a prolonged downturn in the stock market may not allow the recovery within a targeted investment period.
- 4.1.3. The process of continuous reallocation of the Account between the PSM Fund and the Pakistan Income Fund can, under extreme circumstances, result in a higher exposure of the overall investment to the PSM Fund, thereby increasing the risk level of exposure and the possibility of loss of capital.
- 4.1.4. The PSM Fund and the Pakistan Income Fund are subject to being wound up under certain circumstances as explained in Clause 17 of the respective Offering Documents. In the event of either of the Funds being wound up, the Smart Portfolio shall be discontinued.
5. All other matters - The Offering Documents relating to the PSM Fund and the Pakistan Income Fund of which this plan is an administrative arrangement, shall apply to all such matters, relating to the investment in Units issued under the respective Funds that are 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.