

**3rd Supplement to the  
Offering Document of  
UBL Asset Allocation Fund  
(UAAF)**

**Publication Date: 30.10.2017**

**Effective Date: 4.12.2017**

### 3<sup>rd</sup> Supplemental Dated 4.12.2017 to the Offering Document of UBL Asset Allocation Fund (UAAF)

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Managed by UBL Fund Managers Limited (UBL Funds) an Asset Management Company registered with the Securities & Exchange Commission of Pakistan (SECP) and regulated under the Non-Banking Finance Companies (NBFC) Rules 2003 and NBFC & NE Regulations 2008.

UBL Asset Allocation Fund (UAAF) has been established through a Trust Deed (the Deed) dated 29<sup>th</sup> May, 2013, under the Trust Act, 1882 entered into and between UBL Fund Managers Limited (UBL Funds), as the Management Company and Central Depository Company of Pakistan Limited (CDCPL), as the Trustee.

#### **Objective of the Supplementary Offering Document**

UBL Funds is making changes in the Investment Policy & Authorized Investments Table under Clause 2.3 of the Offering Document of UBL Asset Allocation Fund (UAAF) via this supplementary Offering Document.

Effective from 4.12.2017 the following Clauses in the Offering Document are revised:

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#### **1. Amendment in clause 2.3 (Investment Policy)**

- The Following sub-clause 2.3(c) of the Offering Document has been amended and read as follows:
  - c) Liquidity Risk:** A moderate exposure to relatively illiquid investments (e.g. long-term bonds, small-cap stocks etc.) is a part of the investment strategy of the Fund. However, in order to avoid excessive liquidity risk, the Fund will, at all time, invest at least 10% of its Net Assets in Cash and Cash Equivalents. Moreover, weighted average time to maturity of net assets in debt/money market securities shall not exceed 4 years excluding Government Securities.
- The “**Benchmark**” of the Fund has been amended in the Offering Document and read as follows:

“Weighted Average of (3 months PKRV rates + 3 months average deposit rate of (3) AA rated banks as selected by MUFAP), 6 months KIBOR and KSE-100 Index based on actual proportion of the scheme in money market, fixed income and equity securities”
- The Following points are being updated in the **Authorized Investment Table** under clause 2.3 of the Offering Document and read as follows:

### Authorized Investments

| Sr. No              | Description  | Entity/Instrument Rating                    | Maximum Exposure Limit | Minimum Exposure Limit | Maximum Maturity |
|---------------------|--|---|------------------------|------------------------|------------------|
| 1                   | Listed Equity Securities   | N/A   | 40%                    | 0%                     | N/A              |
| 1(A)<br>Newly Added | Equity Future Contracts*   | N/A   | 40%                    | 0%                     | N/A              |
| 2                   | Corporate Debt Securities (including TFCs/Sukuks)  | Investment Grade and above                  | 50%                    | 0%                     | N/A              |
| 3                   | Pakistan Investment Bonds, Federal Investment Bonds, Treasury bills, Ijara Sukuk, & other securities or instruments issued or guaranteed by Federal Government and permitted by the Commission | N/A   | 90%                    | 0%                     | 10 Years         |
| 4                   | Cash and Near Cash instruments which includes cash in bank accounts (excluding TDRs), treasury bills & GoP Ijara Sukuk not exceeding 90 days maturity  | N/A   | 100%                   | 10%                    | N/A              |
| 5                   | Money Market Instruments including Musharika Certificates, Certificate of Deposits (CoD), Certificate of Investments (COI) issued by financial institutions                                    | Investment Grade and above                  | 90%                    | 0%                     | 6 Months         |
| 5(A)<br>Newly Added | Money Market Instruments including Musharika Certificates, Certificate of Deposits (CoD), Certificate of Investments (COI) issued by financial institutions                                    | Investment Grade and above                  | 15%                    | 0%                     | Above 6 Months   |
| 6                   | Long, medium and short term deposits/ placements with banks  | Investment Grade and above                  | 90%                    | 0%                     | 6 Months         |
| 6(A)<br>Newly Added | Long, medium and short term deposits/ placements with banks  | Investment Grade and above                  | 15%                    | 0%                     | Above 6 Months   |
| 7                   | Commercial Paper   | A2 & above Security Rating or A-/A2 & above | 50%                    | 0%                     | 1 Year           |

|    |  | Issuer Rating              |   |    |          |
|----|--|----------------------------|---|----|----------|
| 8  | Reverse Repo against fixed income Government Securities  | N/A                        | 50%                                       | 0% | 6 Months |
| 9  | Convertible debt securities issued by corporate/financial institutions   | Investment Grade and above | 30%                                       | 0% | N/A      |
| 10 | Convertible and non-convertible preferred shares   | N/A                        | 30%                                       | 0% | N/A      |
| 11 | Ready/Future spread transactions & Margin/ Trade Financing Products / System or any other leveraged product/system approved by the commission. | N/A                        | 40%                                       | 0% | N/A      |
| 12 | Any other securities or instruments that may be permitted or approved under SECP Rules, Regulations or any other directive from time to time   | Investment Grade and above | 30%                                       | 0% | 5 Years  |
| 13 | Investment outside Pakistan**  | N/A                        | 30% (subject to a cap of US\$ 15 million) | 0% | N/A      |

**Note:** Combined exposure in Listed Equity Shares & Net Open Future position shall not exceed 40% of the Net Assets of the Fund.

\*The investment in Net Open Future contracts shall be used as an investment tool to meet investment objective of the Scheme as well as for hedging and risk management purpose. Independent risk management department of the management company will monitor compliance of exposure limits and adequacy preserved cash.

Net Open Future positions shall not exceed 40% of the net assets of the Fund, subject to the following risk management and compliance procedures:

- a) Net Open Future positions shall be subject to the single entity and sector limits as prescribed under Regulation 55(5) & (6) of the NBFC Regulations shall also adhere to the position limits prescribed by KSE in Risk Management Regulations.
- b) Net Open Future Exposure in future contracts shall be marked to market on a daily basis.
- c) To the extent of net open positions in Future contracts (net buy position), preserved cash

will be kept in an earmarked bank account. Preserved cash is the difference between contract price and margin paid.

d) 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.

e) Net Open Future sale position in future contract without the pre-existing interest shall not be executed.

f) Spread transactions shall be accounted for in calculating the above-mentioned exposure limits under Regulation 55(5) & (6) of the NBFC Regulations.

#### Asset Allocation Policy of Future Contracts:

This asset allocation policy will take into account the various Investment restrictions and Exposure limits as elaborated below in Clause 2.3 which aim to provide diversification benefits.

**\*\***This will enable the Fund to diversify risk as well as avail opportunities for higher returns in international markets, subject to SECP and other regulatory approvals and in accordance with such terms, guidelines and directions as may be issued by SECP and the State Bank of Pakistan (SBP) from time to time.



SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN  
SPECIALIZED COMPANIES DIVISION  
POLICY, REGULATION AND DEVELOPMENT DEPARTMENT

No. SCD/AMCW/UAAF/16/2017

December 4, 2017

Mr. Yasir Qadri  
Chief Executive Officer  
UBL Fund Managers Limited  
8<sup>th</sup> Floor, Executive Tower  
Dolmen City Building  
Block-4, Clifton  
Karachi

**Subject: Approval of the 3<sup>rd</sup> supplemental offering document of UBL Asset Allocation Fund(UAAF)**

Dear Sir,

Please refer to the applications dated November 29, 2017 and November 22, 2017 received from your office regarding the captioned subject.

In this regard, I am directed to inform you that the amendments proposed by UBL Fund Managers Limited in the third supplemental offering document of UBL Asset Allocation Fund have been acceded to by the Securities and Exchange Commission of Pakistan.

UBL Fund Managers Limited is advised to inform the unit holders regarding the proposed amendments in offering document as per the requirements of Regulation 44(7) of the Non Banking Finance Companies & Notified Entities Regulations, 2008.

Yours truly,

Zonish Inayat  
(Deputy Director)

Cc:

Mr. Iqleem-uz-Zaman  
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