

The investors are advised in their own interest to carefully read the contents of the Offering Document, in particular the Risk Disclosures in Clause 2.5 and Warnings in Clause 12 before making any investment decision.

OFFERING DOCUMENT



NAMCO BALANCED FUND

(PAK RUPEES 1,000 MILLION)

Managed by:

NATIONAL ASSET MANAGEMENT COMPANY LIMITED

Subscription date from November 01, 2006 to November 03, 2006

Listed at Karachi Stock Exchange

Date of publication October 16, 2006

Underwritten by

Al-Hoqani Securities & Investment Corp. (Pvt.) Ltd.	Pak Kuwait Investment Co.(Pvt.) Ltd.
Dawood Equities Ltd.	Pak Oman Investment Company Ltd.
First Capital Securities Corp. Ltd.	PICIC Asset Management Company Ltd.
First Credit And Investment Bank Ltd.	Saudi Pak Leasing Company Ltd.
Intermarket Securities (Pvt.) Ltd.	Security Leasing Corporation Ltd
Invest Capital & Securities (Pvt.) Ltd.	The Bank of Khyber
Orix Investment Bank Pakistan Ltd.	

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GLOSSARY OF TECHNICAL TERMS

1	Articles	Articles of Association of National Asset Management Company Ltd.
2	Bonus Shares/Certificates	Dividend in the form of shares/certificates of the company/fund in a pre determined ratio
3	Break-Up Value	Total equity of a company/fund divided by the total number of shares/certificates outstanding
4	Business Cycle	The time it takes to procure inputs and generate finished good
5	CBR	Central Board of Revenue
6	CDS	Central Depository System
7	CDC	Central Depository Company of Pakistan Limited
8	Trustee	First Dawood Investment Bank Ltd. (FDIBL)
9	Central Depository System	A system through which securities are kept electronically for effecting smooth transaction
10	Certificate	One Undivided certificate in NAMCO Balanced Fund
11	Clearing House	The division/department of Stock Exchanges which ensures honoring of the contracts dealt in the exchange
12	Closed-End Scheme	A scheme constituted by the way of trust to raise funds through issue of certificates to the public for investment in securities including money market instruments for a definite period or indefinite period but which does not continuously offer certificates entitling the holder of such certificates, to receive, on demand, his proportionate share of the net assets of the closed-end scheme.
13	Companies Ordinance, 1984	“The Ordinance”
14	Constitutive Document	The Trust Deed that is the principal document governing the formation, management or operation of the Scheme and any related material agreement envisaged under the Rules.
15	Custodian	“Custodian” means a banking company within the meaning of the Banking Companies Ordinance, 1962 (LVII of 1962), or a central depository company approved by the Commission, which is appointed but the Trustee with the approval of the Investment Adviser to hold or protect the Fund Property or any part thereof as custodian on behalf of the Trustee; the Trustee may also itself provide custodial services for the Fund with the approval of the Investment Adviser at competitive terms, as part of the normal line of its business
16	CVT	Capital Value Tax
17	DPC/DPS	Dividend Per Certificate/Dividend Per Share
18	Earning Per Share/Certificate	Profit After Tax of the entity divided by the total number of shares /certificates outstanding
19	EPC	Earnings Per Certificate
20	EPS	Earning Per Share



21	Forward/Future Contract	The mechanism through which securities can be purchased or so immediately/outright but settled on the last day of the month if it is a Wednesday or the first Wednesday of the next month.
22	GOP	Government of Pakistan
23	Green Shoe Option	A portion of IPO which can be called in if the applications exceed the pre-designed IPO
24	IAS	International Accounting Standards
25	IASC	International Accounting Standards Committee
26	ICAP	Institute of Chartered Accountants of Pakistan
27	IPO	Initial Public Offering or the Issue
28	KSE	Karachi Stock Exchange (Guarantee) Limited
29	MCA	Monopoly Control Authority
30	MUFAP	Mutual Funds Association of Pakistan
31	National Clearing & Settlement System – NCSS	A national system through which settlement of traded contracts takes place in the Stock Exchanges
32	National Clearing Company Limited – NCCL	The company which manages NCSS
33	NAV	Net Assets Value is per certificate value of the fund arrived by dividing the Net Assets by the number of certificates outstanding
34	Net Assets	The excess of assets over liabilities of the Schemes such excess being computed in the manner specified
35	NOC	No Objection Certificate
36	“NBFC Rules, 2003” or the Rules”	Non Banking Finance Companies (Establishment & Regulation)
37	NBFC	Non-Banking Finance Company
38	Paid-Up Capital	Par value multiplied by the total number of certificates/shares
39	NBF	NAMCO Balanced Fund
40	Par Value or “Issue Price per certificate”	Rs. 10 per certificate
41	Pari passu	Equal in claim
42	Permitted Amendments	Amendments in Trust Deed which can be effected by the Trustee and Investment Adviser
43	“the Management Company” or “ the Investment Adviser” or “ the Fund Manager”	Natioanl Asset Management Company Ltd.
44	“the Fund” or “NBF” or “the Scheme” or “the Trust”	NAMCO Balanced Fund



45	Private Placement	“Pre-IPO” or Rs. 700 million”
46	Re.	Pakistani Rupee
47	Ready Board Quotation	A daily publication of the Stock Exchanges highlighting daily changes emerging from corporate and trading activity
48	Realized Gain/Loss	The difference between buying and selling price of a security
49	Right Shares/Certificates	The right to existing shareholders/certificate-holders to purchase additional shares/certificates of the company/fund in a certain ratio at a predetermined price
50	Rs. or PKR	Pakistani rupee
51	Scrip	Security
52	Secondary Markets	Stock Markets
53	Sector	A set of companies categorized on the basis of business operations by the Stock Exchanges
54	Securities	Financial Instruments issued by legal entities
55	SECP or “the Commission”	Securities & Exchange Commission of Pakistan
56	Taken-up commission	A commission paid to underwriters if in case of under subscription it had to purchase the said shares/certificates
57	Stock Exchanges	KSE, ISE and LSE
58	Taken-up Commission	A commission paid to the Underwriters if in case of under subscription it had to purchase the said shares/certificates
59	Treasury Bills	Fixed Income instrument of different maturities issued by the Government of Pakistan
60	Trust	The close-end scheme constituted by the Trust Deed
61	Un-realized Gain/Loss	The difference between buying and current market price of a security



SUMMARY

Name	NAMCO Balanced Fund
Structure	Closed end scheme
Date of Publication	October 16, 2006
Investment Adviser	National Asset Management Company Limited, a Non-Banking Finance Company incorporated under the ordinance and licensed by SECP to undertake Investment Advisory and Asset Management Services under the Rule.
Registered Office	179 B, Abu Bakar Block, New Garden Town, Lahore
Principal Office	19-C, Sunset Lane-6, South Park Avenue, Phase II, Extension, D.H.A. Karachi.
Trustee	First Dawood Investment Bank Limited 1500-A, Saima Trade Towers, I.I. Chundrigar Road, Karachi
Registrar	Technology Trade (Pvt.) Ltd. Dagia House, 241-C, Block – 2 P.E.C.H.S., Off: Shahrah-e-Quaideen Karachi, Pakistan
Auditor of the Fund	A.F. Ferguson & Co., Chartered Accountants State Life Building No. 1-C I.I. Chundrigar Road Karachi, Pakistan
Legal Adviser	Bawany & Partners 404, 4 th Floor, Beaumont Plaza Beaumont Road Karachi, Pakistan
Date of subscription	November 01, 2006 to November 03, 2006
Listed on Stock Exchange	Karachi Stock Exchange
Issue Price of Certificate	Rs.10 per Certificate (par value)
Minimum application amount	Rs.5,000



Capital:

1) Pre-IPO	Rs.600,000,000 i.e. 60,000,000 Certificates of Rs.10/- each
2) Made or Arranged by Investment Adviser	Rs.100,000,000 i.e. 10,000,000 Certificates of Rs.10/- each
3) Public Offer	Rs.300,000,000 i.e. 30,000,000 Certificates of Rs.10/- each
Total	Rs.1,000,000,000 i.e. 100,000,000 Certificates of Rs.10/- each

Bankers to the issue

- 1) United Bank Limited
- 2) MCB Bank Limited
- 3) The Bank of Punjab
- 4) The Bank of Khyber

Duration

Perpetual

Place

Karachi

Date of creation of scheme

17th April 2006



**OFFERING DOCUMENT OF
NAMCO BALANCED FUND**

MANAGED BY

National Asset Management Company Limited

[An Investment Advisory and Asset Management Company Registered under the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003]

Date of Publication of Offering Document October 16, 2006

Subscription Dates: November 01, 2006 to November 03, 2006 during banking hours

The NAMCO Balanced Fund (the Fund/the Scheme/the Trust) has been established through a Trust Deed entered into between National Asset Management Company Limited (NAMCO), the Investment Adviser and First Dawood Investment Bank Limited (FDIBL), the Trustee and is authorized under the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 (the Rules).

REGULATORY APPROVAL AND CONSENT

Approval of the Securities and Exchange Commission of Pakistan

The Securities and Exchange Commission of Pakistan has authorized the formation of a closed end scheme, NAMCO Balanced Fund (NBF), under Rule 41 of the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 (the Rules). The SECP has approved this Offering Document, under Rule 48 of the Rules.

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

The provisions of the Trust Deed govern this Offering Document. This Offering Document sets out the arrangements covering the basic structure of the NAMCO Balanced Fund (the Fund or NBF). It sets forth information about the Fund that a prospective investor should know before investing in any Certificate of NBF. Prospective investors should consult one or more from amongst their investment advisers, legal advisers, bank managers or other financial advisers.

Investors must recognize that all investments involve varying levels of risk. It should be clearly understood that the portfolio of NAMCO Balanced Fund is subject to market risks inherent in all such investments. The value of certificates of NAMCO Balanced Fund may appreciate as well as depreciate, as well as the level of dividend declared by NAMCO Balanced Fund may vary. Investors are requested to read the Risk Disclosure statement contained in section 2.5 and Warnings contained in section 12 of the Offering Document.



Clearance of Offering Document by Stock Exchange

The Offering Document has been cleared by the Karachi Stock Exchange (Guarantee) Limited ("KSE") in accordance with the requirements under the Listing Regulations of the KSE. While clearing the Offering Document, the KSE neither guarantees the correctness of the contents of the Offering Document nor the viability of the Scheme.

The Stock Exchange has not evaluated the quality of the offer and clearance of the offer should not be construed as any commitment of the same. The public / investors should conduct their own independent investigation and analysis regarding the quality of the offer before subscribing

Filing of the Offering Document

The Investment Adviser has filed a copy of this Offering Document with the SECP, signed by all Directors of the Investment Adviser along with copies of the Documents below:

1. Letter dated October 05, 2006 from the Auditors of NBF, A. F. Ferguson & Co., Chartered Accountants, giving details of subscription to the Certificates of NBF by the Pre-IPO Investors.
2. Consents of the Auditor, Legal Adviser, Bankers to the Issue, Consultant to the Issue, Trustee, Directors, Secretary and Chief Executive of the Investment Adviser to their respective appointments and having been named and described as such in this Offering Document.
3. Letter dated October 05, 2006 from the Auditors of NBF, A. F. Ferguson & Co., Chartered Accountants, consenting to the issue of report appearing in the Annexure to this Offering Document.
4. Letter No. NBFC-II/48/ NAMCL/IA/17/2005 dated 13th December 2005, from SECP, licensing NAMCO to undertake Investment Advisory Services, under Non-Banking Finance Companies (Establishment and Regulation) Rules 2003.
5. Letter No. NBFC-II/AD/NAMCO/176/2006 dated March 22, 2006 from SECP to NAMCO, approving FDIBL to act as Trustee of NBF under Rule 43 & 45 of the Non-Banking Finance Companies (Establishment and Regulation) Rules 2003.
6. Letter No. NBFC-II/JE/NAMCO/270 dated May 03, 2006 from SECP to NAMCO, authorizing a closed end scheme named NAMCO Balanced Fund (NBF) under Rule 41 of the Non-Banking Finance Companies (Establishment and Regulation) Rules 2003.
7. Letter No. NBFC-II/AD-III/NAMCO/737 dated October 12, 2006 from SECP to NAMCO, approving this Offering Document under Rule 48 of the Non-Banking Finance Companies (Establishment and Regulation) Rules 2003.
8. Letter No. KSE/GEN-7426 dated October 12, 2006 from KSE to NAMCO, clearing this Offering Document under the Listing Regulations of the KSE.
9. Material Contracts as given in Annexure A of the Offering Document.



Listing on Stock Exchange

Application has been made to KSE for permission to deal in and for quotation of Certificates of NBF.

In accordance with the "Regulations for Future Trading on Provisionally Listed Companies" of the KSE, the NBF shall stand listed provisionally for trading and for the quotation of its shares on the stock exchange from the date of publication of the Offering Document.

If, for any reason, the application for formal listing is not accepted by the Stock Exchange, the Investment Adviser undertakes that a notice to that effect will be immediately published in the press, and thereafter to refund application money to the applicants in pursuance of this Offering Document, as required under the provisions of Section 72 of the Companies Ordinance, 1984.

1. CONSTITUTION OF NAMCO BALANCED FUND

1.1 Constitution

The Fund has been established through a Trust Deed under the Trusts Act, 1882, entered into at Karachi on April 17, 2006 between:

National Asset Management Company Limited (NAMCO), a Non-Banking Finance Company incorporated under the Companies Ordinance 1984, and licensed by SECP to undertake investment advisory and asset management services having its registered office at 179 B Abu Bakar Block, New Garden Town, Lahore and principal office at 19-C, Sunset Lane-6, South Park Avenue, Phase II, Extension, D.H.A., Karachi; as the establisher of the Fund and the Investment Adviser; and

First Dawood Investment Bank Limited (FDIBL), a Non-Banking Finance Company incorporated under the Companies Ordinance 1984, and approved by Securities and Exchange Commission of Pakistan (SECP) to act as the Trustee having its registered office at 1500-A, Saima Trade Towers, I.I. Chundrigar Road, Karachi, as the Trustee.

1.2 Trust Deed

The Trust Deed is subject to and governed by the Non-Banking Finance Companies (Establishment & Regulation) Rules 2003, Securities and Exchange Ordinance 1969 and all other applicable laws and regulations. The terms and conditions in the Deed and any supplemental deed(s) shall be binding on each Certificate Holder.

1.3 Modification of Trust Deed

The Trustee and the Investment Adviser acting together shall be entitled by deed supplemental hereto to modify, alter or add to the provisions of this Deed in such manner and to such extent as they may consider expedient for any purpose, subject only to the approval of the SECP, if so required. Provided that, the Trustee and the Investment Adviser shall certify in writing that, in their opinion such modification, alteration or addition is required pursuant to any amendment in the Rules or to ensure compliance with any fiscal or statutory requirement or to enable the provisions of this Deed to be more efficiently, conveniently or economically managed or to enable the Certificates to be dealt in or quoted on Stock Exchange or otherwise for the benefit of the Certificate Holders and that it does not prejudice the interests of the Certificate Holders or any of them or operate to release the Trustee or the Investment Adviser from any responsibility to the Certificate Holders.



Where the Deed has been altered or supplemented, the Investment Adviser shall notify to the Certificate Holders at their respective registered addresses and the dispatch of such notices to the Certificate Holders will be announced in one daily newspaper having its primary circulation in Pakistan.

However, if the Commission (SECP) modifies the Rules to allow any relaxations or exemptions, these will deemed to have been included in the Constitutive Documents without requiring any modification as such.



2. INVESTMENT OBJECTIVES AND RESTRICTIONS

2.1 Investment Objective

NBF is a balanced fund. 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.

2.2 Investment Policy

NAMCO Balanced Fund will follow a balanced growth strategy through investments in stocks, based on their strong earning potential or dividend yield and in fixed income securities and money market instruments.

NAMCO Balanced Fund may invest up to 70% of the total investment in equity markets and the rest will be invested in fixed income securities and money market instruments etc. However, if at any time, investment in equity market poses any unprecedented risk, or where it becomes in the interest of the certificate holders to reduce the investment in the equity market to less than 70% of the total investment of the Fund at any given time, the Investment Adviser may, at his discretion vary the ratio between the investments in the equity, fixed income and money market instruments, without the need to amend this Offering Document. Provided that the Fund shall invest, at any time, not less than 50% of its assets in listed securities or in securities for which an application for listing has been approved by a stock exchange.

The eligible investments by NBF means investments of Pakistan origin transacted, issued, traded and listed inside or outside Pakistan and include any of the following:

- (a) Securities, shares, bonds, debentures, debentures stocks, participation term certificates, modaraba certificates, musharika certificates, term finance certificates, preference shares, convertible bonds, Global Depository Receipts (GDRs) and other asset backed or mortgage backed securities. Such investments shall include those for ready as well as those for future settlements;
- (b) Treasury bills and other Government securities;
- (c) Money Market instruments, Certificates of Deposit and Bankers' Acceptances;
- (d) Deposits in Commercial Banks;
- (e) Any other equity or debt security in respect of which permission to deal on a Stock Exchange is effective, subject to applicable Rules;
- (f) Reverse repurchase transactions (reverse REPO's), Continuous Funding System (CFS) (upto a maximum limit of 25% of NAV with not more than 20% of the aforesaid CFS limit in one scrip at the time of investment), purchase or sale of a security for ready settlement and reverse thereof (sale or purchase, as the case may be) for future settlement;
- (g) Warrants, Options subject to the prior 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 Commission from time to time;
- (h) Any other investment(s), which is/are in line with the basic investment objectives of the Fund, with the approval of SECP, but do(es) not include bearer security or any other security that would involve the assumption of unlimited or undeterminable liability.



Investment Criteria for Selecting Equity Securities

NAMCO Balanced Fund will invest in shares of listed companies (or companies which are in the process of being listed), which are either:

- (i) consistently dividend paying; and/ or
- (ii) have growth prospects; and/ or
- (iii) are actively traded

The investment in shares shall be subject to individual company limits and sector limits prescribed by the Rules.

Investment Criteria for Selecting Debt Securities

NAMCO Balanced Fund will invest in debt securities having minimum investment grade rating. The investment in debt securities will comprise of a mix of spread transactions. Continuous Funding System (CFS), purchase or sale of a security for ready settlement and reverse thereof (sale or purchase, as the case may be) for future settlement; investment grade debt securities; money market instruments and short maturity reverse REPO transactions. The debt securities shall be those issued by corporate entities, federal, provincial, district governments, government agencies and municipalities.

2.3 Investment Restrictions

NBF will not at any time:

- 2.3.1 merge with, acquire or take over any other closed-end fund, unless it has obtained the prior approval of the SECP in writing to the scheme of such merger, acquisition or take over;
- 2.3.2 pledge any of the securities held or beneficially owned by it;
- 2.3.3 make a loan or advance of money to any person except in connection with the normal business of the Scheme.
- 2.3.4 effect a short sale in any security;
- 2.3.5 purchase any security in a forward contract.
- 2.3.6 purchase any security on margin.
- 2.3.7 participate in a joint account with others in any transaction;
- 2.3.8 apply any part of its assets to real estate, commodities or commodity contracts;
- 2.3.9 acquire any security of which another closed-end fund is the issuer;
- 2.3.10 make an investment in a Company which has the effect of vesting the management, or control over the affairs, of such company in the Scheme;
- 2.3.11 purchase or sell bearer securities or securities, which may result in assumption of unlimited or undetermined liability (actual or contingent).
- 2.3.12 employ as a broker, directly or indirectly, any director, officer or employee of the Fund or its Investment Adviser or any connected Person or member of family of such person and enter into transactions with any connected broker, which shall equal or exceed ten per cent or more of the transactions of the Fund in any one accounting year of that Fund;
Provided that the SECP may, in each case on merits, permit the ten per cent to exceed if the connected broker offers advantages to the Fund not available elsewhere;



Explanation: For the purposes of this clause the term “family” includes spouse, lineal ascendants and descendants and brothers and sisters;

- 2.3.13 issue at any time, without the prior approval of the SECP in writing, a senior security which is either stock or represents indebtedness;
- 2.3.14 apply for de-listing from Stock Exchange, unless it has obtained prior approval of the SECP in writing to the scheme of de-listing;
- 2.3.15 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; and
- 2.3.16 invest in any company or security, at any time, in excess of an amount equal to ten per cent of the paid-up capital of the Fund or an amount sufficient to acquire ten per cent of issued capital of that other company or issue, whichever is lower. However, this limit does not apply to Government Securities and NBF can invest more than 10% of its Net Assets in a particular Government Security or in Government Securities in general
- 2.3.17 invest more than twenty five per cent of the Net Asset Value of the Fund in securities of any one business sector as per classification of the stock exchange in which such security is listed.

2.4 Exception to Investment Restrictions

In the event the weightages of shares or sectors exceed the limits laid down in this offering document or the Rules as a result of the relative movement in the market prices of the investments or through any disinvestment, the Management Company shall make its best endeavor to bring the exposure within the prescribed limits within three months of the event. But in any case the Management Company shall not invest further in such shares or sectors whilst the deviation exists. However, this restriction on further investment shall not apply to any offer of shares through right shares or any such other offering, if the Investment Advisor is satisfied that accepting such offer is in the interest of the Trust.

2.5 Description of the Risks involved

2.5.1 Risk Disclosures

The Fund invests in a portfolio of shares of listed companies, money market investments such as spread transactions, carry over transactions, investment grade debt securities, money market instruments and short maturity reverse repurchase transactions. Investments in shares of companies carry a risk that is considered higher than that in debt securities, although there are opportunities for capital appreciation. Other investments are subject to varying degrees of risk. The risk emanates from various factors that include, but are not limited to:

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 will not be able to pay the obligation, either on time or at all.
 - b) **Credit spread risk** is the risk that there will 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 JCRVIS, will 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. **Derivative Risk** - Derivatives may be used to limit or hedge potential losses associated with stock markets and return/mark-up rates. This process is called "hedging". 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.

3. **Return/Mark-up Rate Risk** - Fixed income securities including money market instruments, which include treasury bills and commercial paper, pay fixed rate of return/mark-up. The value of the fund, due to its holdings in fixed income securities including money market instruments, will rise and fall as return/mark-up rates change. For example, when return/mark-up rates fall, the value of an existing bond will rise because the coupon rate on that bond is greater than prevailing return/mark-up rates and vice versa.

4. **Equity Risk** - Companies issue equities, or stocks, to help finance their operations and future growth. The company's performance outlook, market activity and the larger economic picture influence the price of a stock. When the economy is expanding, the outlook for many companies will be good and the value of their stocks should rise. The opposite is also true. Usually, the greater the potential reward, the greater the risk.



5. **Government Regulation Risk** - Government policies or regulations are more prevalent in some sectors than in others. Funds that invest in these sectors may be affected due to change in these regulations or policies, which directly or indirectly affect the earnings and/or the cash flows and/or any governmental or court orders restraining payment of capital, principal or income.
6. **Liquidity Risk** - Some companies have limited market float of their issued shares and hence are not actively traded in the stock market or they may generally have very few total shares issued and outstanding. Securities issued by such companies may be difficult to buy or sell, which may cause the value of the Funds that buy these securities to rise and fall substantially because any buying or selling of such company shares may have a great impact on that company's share price.
7. **Market Risk** – This risk involves volatility in stock prices resulting from their dependence on market sentiments, speculative activity, supply and demand for the securities and liquidity in the market. The volatility in securities prices results in volatility in the price of the Certificate of the Fund.
8. **Other Risks Involved:**
 - a) Mismanagement by 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 creditors over the shareholders in the event of winding up.
 - d) Change in business cycles affecting the business of the company in which the investment is made.
 - e) Change in business circumstances of the company, its business sector, industry and/or the economy in general.

Investment in this Fund is suitable for investors who have the ability to take the risks associated with financial market investments. Capital invested in the financial markets could in extreme circumstances lose substantial value. The historical performance of the financial markets or that of any one security or transaction included in the Fund's portfolio does not necessarily indicate future performance.

Prices of certificates and income from them may go down as well as go up. The certificates will be traded on stock exchange. The price of the Certificates quoted in stock exchanges might be well below the NAV of the certificates.

2.5.2 Disclaimer

The Certificates of the Fund are not bank deposits and are neither issued by, insured by, obligations of, nor otherwise supported by SECP, the Stock Exchange, any government agency, the Trustee, the Investment Adviser, any of the sponsor, shareholders or employees of the Investment Adviser or any other bank or financial institution (except to the extent specifically stated in this document and the Trust Deed).



3. OPERATORS AND PRINCIPALS

3.1 The Investment Adviser

National Asset Management Company Limited is a public limited unlisted company, incorporated in Pakistan with paid up capital of Rs.100 million. It has been licensed by SECP to undertake investment Advisory services and asset management services under the Rules and registered as an Investment Adviser and Asset Manager under the Rules. As of June 30, 2006 the equity of the Company was PKR 100.501 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 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 1,201.91 million, total assets of PKR 2,464.96 million as of June 30, 2006 and profits after tax of PKR 411.62 million for the year ended June 30, 2006. FNEL holds a decent track record of dividend payouts. It has distributed 60% cash dividend for the financial year 2005-06 as compared to 25% cash dividend paid for the year 2004-05

For further information please visit www.fnetrade.com.

3.1.2 First Pakistan Securities Limited (FPSL):

First Pakistan Securities Limited (“FPSL”) is a Corporate Member of Lahore Stock Exchange 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 662.6 million (including paid up capital of Rs.25 million) as at January 31, 2006 depicting a break up value of PKR 264.94 per share of PKR 10 each. In keeping with its 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 1.00 billion. The company has successfully achieved its financial close and the Pre-IPO arrangement of PKR 400 million and underwriting of PKR 500 million have already been finalized.

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

3.1.3 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 19.52 million. The company had equity of PKR 216.49 million as at December 31, 2005 depicting a break up value of PKR 110.90 per share of PKR 10 each.

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

3.1.4 The Board of Directors of the Management Company

Name	Position	Other Directorships	Occupation	Address
Mr. Ali Aslam Malik	Chairman	First National Equities Ltd. Trust Leasing & Investment Bank Ltd. First Pakistan Securities Ltd. MCD Pakistan Ltd. First Florance Developers (Pvt.)Ltd	Business	43 – J, DHA, Lahore.
Mr. Etrat Hussain Rizvi	Chief Executive	Pioneer Cement Ltd. The Bank of Khyber	Service	F – 31 /1, 4th Gizri Street, Phase IV, DHA, Karachi.
Mr. Ali Raza Jaffery	Director	First Pakistan Securities Ltd.	Service	345A – 3, Gulberg, Lahore.
Mr. Shafiq Ahmed Khan	Director	Security General Insurance Ltd.	Investment Banking and Fund Management	477 – Z, Street 23, DHA, Lahore.
Mr. Imtiaz Ahmed Pervez	Director	Trust Leasing & Investment Bank Ltd.	Investment Banking.	48 – Y, DHA, Lahore.



**3.1.4.1 Financial Summary of Last 5 years of Listed Companies:
First National Equities Limited**

Rupees in thousand

	June 30, 2002	June 30, 2003	June 30, 2004	June 30, 2005	June 30, 2006
Profit Before Tax	NA	NA	4,584	234,338	452,618
Profit After Tax	NA	NA	4,570	202,248	411,622
Paid-up Capital	NA	NA	125,00	500,000	500,000
Shareholders' Equity	NA	NA	186,435	617,297	1,201,911
Total Assets	NA	NA	300,418	3,007,179	2,266,934
EPS (Rs.)	NA	NA	0.366	4.41	8.23
Cash Dividend (%)	NA	NA	-	25%	60%
Bonus Shares (%)	NA	NA	-	-	-

(The company was listed in 2004)

Trust Leasing & Investment Bank Limited

Rupees in thousand

	June 30, 2001	June 30, 2002	June 30, 2003	June 30, 2004	June 30, 2005
Profit Before Tax	7,613	15,338	53,022	118,071	211,657
Profit After Tax	3,613	10,338	48,022	120,314	225,273
Paid-up Capital	184,000	203,280	223,608	308,579	339,437
Shareholders' Equity	371,155	381,494	429,517	580,247	805,702
Total Assets	678,894	683,338	1,112,803	2,165,924	4,126,336
EPS (Rs.)	0.196	0.51	2.15	3.89	6.64
Cash Dividend (%)	-	-	-	15%	10%
Bonus Shares (%)	10%	10%	15%	10%	20%

Pioneer Cement Limited

Rupees in thousand

	June 30, 2002	June 30, 2003	June 30, 2004	June 30, 2005	June 30, 2006
Profit Before Tax	49,504	(152,004)	238,218	393,919	933,071
Profit After Tax	44,425	(157,334)	424,265	332,089	675,982
Paid-up Capital	954,371	954,371	954,371	1,547,466	1,624,839
Shareholders' Equity	278,372	120,978	545,243	1,621,109	2,322,063
Total Assets	4,195,215	3,948,345	4,274,650	6,887,915	8,404,996
EPS (Rs.)	0.46	(1.65)	4.44	2.15	4.16
Cash Dividend (%)	5%	-	-	-	10%
Bonus Shares (%)	-	-	-	5%	4.5%



The Bank Of Khyber

Rupees in thousand

	Dec 31, 2001	Dec 31, 2002	Dec 31, 2003	Dec 31, 2004	Dec 31, 2005
Profit Before Tax	N.A.	200,482	397,077	299,134	324,079
Profit After Tax	N.A.	141,504	304,578	264,307	287,453
Paid-up Capital	N.A.	1,000,000	1,050,000	1,231,034	1,231,034
Shareholders' Equity	N.A.	1,258,074	1,562,652	1,828,015	2,115,468
Total Assets	N.A.	18,842,666	19,796,839	23,824,644	25,033,970
EPS (Rs.)	N.A.	1.35	2.9	2.15	2.34
Cash Dividend (%)	-	-	-	-	-
Bonus Shares (%)	-	-	-	10%	22%

3.1.5 Particulars of the Directors

Mr. Ali Aslam Malik- Chairman:

Mr. Ali Aslam Malik is the Group Chairman. He obtained his Masters in Commerce from Hailey College of Commerce, University of the Punjab, Lahore. He has attended numerous workshops and courses both locally and abroad, on Investment, Risk Management, Management Information Systems and Quality Management. Mr. Malik is an entrepreneur having to his credit practical experience of more than fifteen years of Business, Investment Banking, Stock Brokerage, Funds Management, Underwriting, Placements, Syndication and Corporate Research. He is also advising a number of Companies, other than his own group companies. Mr. Malik is also a member of Board of Investment of Azad Jammu & Kashmir.

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 is a member of the Board of Directors of Trust Leasing & Investment Bank Ltd. He 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 Financial Controller of the group comprising of First National Equities Limited (listed at Karachi Stock Exchange), First Pakistan Securities Limited (Member Lahore Stock Exchange), Switch Securities (Pvt.) Limited (Member Lahore Stock Exchange), First Florance Developers (Pvt.) Limited and MCD Pakistan Limited. He has over 10 years of working experience in different financial institutions and Banks.

3.1.6 Company Secretary

Mr. S. Khaleeq Ahmad:

Mr. Khaleeq is a Fellow member of Institute of Cost & Management Accountants of Pakistan and an Associate member of Institute of Bankers, Pakistan. He also holds a Master's degree in Business Administration from IBA and LL.B. from University of Karachi. Mr. Khaleeq brings 28 years professional experience of working in both private and public sector industrial and financial institutions in the fields of finance and accounts, project financing, implementation and monitoring, corporate affairs and special assets management.

3.1.7 Professional and Independent Management

NAMCO will manage the funds strictly on professional basis. An Investment Committee, consisting of experienced professionals, makes the investment decisions. The Investment Committee has the support of in-house research teams carrying out in-depth research and analysis. The Company hires and retains professionals who are experienced and have a high standing in the market.

3.1.8 Duties and Responsibilities of Investment Adviser

- i. The prime responsibility of the Investment Adviser is to invest and manage the assets of NBF according to the provisions of the Deed and the Rules, 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 Investment Adviser shall maintain proper accounts and records of NBF to enable a complete view of assets and liabilities, income and expenditure and amounts received in respect of subscription of Certificates and paid out on purchase of investments and by way of distribution.
- iii. The Investment Adviser shall prepare and make available the Annual Report, together with a copy of the balance sheet, income and expenditure account and the Auditor's Report of the Scheme, within four months of the closing of the accounting period to the certificate holders. The balance sheet and income and expenditure account shall comply with the requirements set out in the Rules.
- iv. The Investment Adviser shall, within one month of the close of the first and third quarters and within two months of the close of the half-year of its Accounting Year, prepare and make available to the certificate holders and SECP,



balance sheet, profit and loss account, cash flow statement and a statement of changes in equity for the quarter or half-year, whether audited or otherwise.

v. The Investment Adviser shall cause to be published in the bulletin or other such publication of the stock exchange on which the fund is listed, the names and the value of fund's portfolio securities as at the end of each quarter.

vi. The annual, half yearly or quarterly report of the closed end scheme shall contain a statement showing the securities owned at the beginning of the relevant period, securities purchased or sold during such period, and the securities held at the end of such period together with the value (at cost and at market), and the percentage in relation to its own assets and the paid-up capital of the company whose securities are owned or in case of TFCs and other debt instruments the percentage in relation to the total issue size of such security. In any case, the total investment of the Fund in securities issued by any one company shall not exceed the limit of 10% and the total investment of the Fund in securities from any one sector shall not exceed the limit of 25%.

vii. The statement of income and expenditure of the closed end scheme shall include a statement of income and expenditure of the Investment Adviser in relation to the closed end fund.

viii. The Investment Adviser shall prepare and transmit to certificate holders and SECP the annual report together with balance sheet, income and expenditure account and trustee and auditor's report.

ix. The Investment Adviser shall make available to the Trustee all information relating to the Fund. The Investment Adviser shall account to the Trustee for any loss in value of the assets of NBF caused by its negligence, reckless or willful act or omission.

x. The Investment Adviser shall be responsible for all acts and omissions of all persons or agents to whom it may delegate the performance of its functions as Investment Adviser as if they were its own acts or omissions.

xi. The Investment Adviser shall, if it considers necessary, request the Trustee in writing for the protection of Deposited Property or safeguarding the interest of the Certificate Holders, to institute or defend any suit, proceeding, arbitration or inquiry or any corporate or shareholders' action in respect of the Deposited Property or any part thereof.

xii. The Investment Adviser shall neither be under any liability except such liability as prescribed under the Rules and expressly assumed by the Investment Adviser through the Trust Deed and Offering Document nor shall the Investment Adviser (save as otherwise provided) be liable for any act or omission of the Trustee nor for anything except its own negligence or willful breach of duty.

xiii. The Investment Adviser shall appoint, at the establishment of a closed end scheme and upon any vacancy, an auditor who shall be a chartered accountant and independent of the auditor of the investment adviser and the trustee. Contents of the auditor's report shall be in accordance with Schedule-I.

3.2 The Trustee

3.2.1 The 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.



NBF 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 772.4 million and the total assets at PKR 5,657 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.

FDIBL is well poised and is strengthening its efforts to maintain its growth in business without compromising on quality. 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.

3.2.2 Trustee Division

FDIBL is presently carrying out trustee functions for issues amounting to PKR 4 billion.

3.2.3 Basic Role of the Trustee

The Trustee shall:

- Take into its custody or under its control all the property of the Fund and hold it in trust for the Certificate Holders in accordance with the law and the provision of the Constitutive Documents and the cash and registerable assets shall be registered in the name of, or to the order of, the trustee;
- Carry out the instructions of the Investment Adviser in all matters including investment and disposal of the Deposited Property, unless they are in conflict with the Trust Deed, Offering Document and the Rules;
- Be liable for any act or omission of any agent with whom any investments are deposited as if they were the act or omission of any nominee in relation to any investment forming part of the property of the Fund;
- Be liable for the acts and omissions of the lenders and its agents in relation to assets forming part of the property of the closed end scheme and, where borrowing is undertaken for the account of the closed end scheme, such assets may be registered in the lender's name or in that of a nominee appointed by the lender;
- Not, except for its own willful negligence or bad faith, be liable for any loss caused to the Scheme or the value of the Deposited Property due to any elements or circumstances beyond its control;
- Exercise all due diligence and vigilance in carrying out its duties and in protecting the interests of the Certificate Holders;
- Make available or ensure that there is made available to the Investment Adviser such information as the Investment Adviser may reasonably require from time to time in respect of the Deposited Property and all other matters relating to the Trust;
- Institute or defend any suit proceedings, arbitration or inquiry or any corporate or shareholders action in respect of the Deposited Property or any part thereof if so requested by the Investment Adviser in writing;
- Ensure that the issue, and transfer of Certificates affected by the Fund are carried out in accordance with the provisions of the Constitutive Document; forward to the Investment Adviser within two business days any notices, reports or other documents issued by the issuers of securities, recipients of any of the Trust Funds (as deposits, refunds, distribution of dividends, income, profits, repayment of capital or for any other reason), any depository, an intermediary or agent in any transaction or from any court, government, regulator, stock or other exchange or any other party having any connection with the transaction;
- Promptly provide proxies or other forms of powers of attorney to the order of the Investment Adviser with regard to any voting rights attached to any investment;



- Ensure that the sale, purchase, issue, and transfer of Certificates affected by the Scheme are carried out in accordance with the provisions of this Deed;
- Ensure that the investment limits set out in the Rules and Constitutive Document and the conditions under which the Fund has been authorized are complied with; and
- Issue a report to be included in the annual report to be sent to Certificate Holders whether, in his opinion, the Investment Adviser has in all material respects managed the Fund in accordance with the provisions of the Constitutive Document. If the Investment Adviser has not done so, the respects in which it has not done so and the steps which the trustee has taken in respect thereof.

3.3 Auditors of the Fund

A.F. Ferguson & Co., Chartered Accountants
State Life Building No. 1-C
I.I. Chundrigar Road
Karachi, Pakistan

3.4 Auditors of the Management Company

Tariq & Co. Chartered Accountants
4-N/4, Block 6, P.E.C.H.S.,
Karachi, Pakistan

3.5 Transfer Agent

Technology Trade (Pvt.) Ltd.
Dagia House, 241-C, Block – 2
P.E.C.H.S., Off: Shahrah-e-Quaideen
Karachi, Pakistan
Telephone No.021-4391316-17
Fax No.021-4391318

3.6 Consultant to the Issue

ORIX Investment Bank Pakistan Limited
Pakistan Kuwait Investment Company Limited
First National Equities Limited
First Pakistan Securities Limited

3.7 The Legal Advisers

Bawany & Partners
404, 4th Floor, Beaumont Plaza
Beaumont Road
Karachi, Pakistan

4. CHARACTERISTICS OF THE CERTIFICATES

4.1 Minimum amount of applications

Application for subscription in NBF must be made for 500 Certificates or multiples thereof. Application for Certificates below the value of Rs.5,000 shall not be entertained. Certificates will be issued in lots of 500 certificates of the face value of Rs.10/- each.

4.2 Fictitious and more than one applications are prohibited and such applicants money shall be liable to confiscation under section 18-A of the Securities and Exchange Ordinance, 1969.

5. TYPES OF CERTIFICATES

5.1 Issue of Certificates

	Number of certificates Of Rs. 10 each	Face Value (Rupees)	Total Value (Rupees)
Fully paid-up in cash by National Asset Management Co. Ltd.	10,000,000	100,000,000	100,000,000
Fully paid in cash by Pre-IPO Investors	60,000,000	600,000,000	600,000,000
Present offer to general public	30,000,000	300,000,000	300,000,000
Total Issue	100,000,000	1,000,000,000	1,000,000,000

Investment made by the Investment Adviser (NAMCO)

Rule 33(b) of the NBFC Rules 2003, states that the Investment Adviser shall at all times hold or beneficially owns equity securities of closed-end scheme of an amount which is neither less than 10% (ten percent) nor more than 20% (twenty percent) of the paid-up value of the Certificates at any given time. Since the Investment Adviser does not manage any other fund therefore NAMCO has made Investment of 10% of the total Paid-Up value of certificates in the NAMCO Balanced Fund which amounts to Rs.100 million. This investment shall remain in the fund unencumbered.

List of investors to whom Certificates were allocated through Pre-IPO including Investment Adviser.

S. No.	Name of Pre-IPO Investors	No. of Certificates	Total Amount
1	National Asset Management Company Ltd.	10,000,000	100,000,000
2	ACE Securities (Pvt.) Ltd.	200,000	2,000,000
3	Aqeel Karim Dhedhi Securities (Pvt.) Ltd.	500,000	5,000,000
4	Al-Hoqani Securities & Investment Corp. (Pvt.) Ltd.	500,000	5,000,000
5	Al-Zamin Leasing Modarba	1,000,000	10,000,000
6	Arif Habib Investment Management Ltd.	1,000,000	10,000,000
7	B.R.R. International Modarba	1,000,000	10,000,000
8	Dalal Securities (Pvt.) Ltd.	200,000	2,000,000
9	Dawood Capital Management Ltd.	1,000,000	10,000,000
10	DG Khan Cement Co. Ltd. Employees Provident Fund Trust	100,000	1,000,000
11	DJM Securities (Pvt.) Ltd.	250,000	2,500,000



12	Eastern Capital Ltd.	200,000	2,000,000
13	F. Rabbi Steel (Pvt.) Ltd	500,000	5,000,000
14	Faysal Bank Ltd.	2,000,000	20,000,000
15	First Credit And Investment Bank Ltd.	500,000	5,000,000
16	First National Equities Ltd.	2,000,000	20,000,000
17	First Pakistan Securities Ltd.	1,500,000	15,000,000
18	N.W.F.P. Pension Fund- GPI Fund	15,000,000	150,000,000
19	GTR Staff Provident Fund	250,000	2,500,000
20	Individual	300,000	3,000,000
21	National Bank of Pakistan	2,000,000	20,000,000
22	National Investment Trust Ltd.	2,500,000	25,000,000
23	National Logistic Cell	5,000,000	50,000,000
24	Nishat Mills Ltd. Employees Provident Fund Trust	500,000	5,000,000
25	ORIX Investment Bank Pakistan Ltd.	2,500,000	25,000,000
26	Pak Kuwait Investment Co. (Pvt.) Ltd.	2,500,000	25,000,000
27	Pakistan Services Ltd. Employees Provident Fund	250,000	2,500,000
28	Pioneer Cement Employees Provident Fund	1,000,000	10,000,000
29	Saudi Pak Commercial Bank Ltd.	1,000,000	10,000,000
30	Saudi Pak Leasing Company Ltd.	1,500,000	15,000,000
31	Security Leasing Corporation Ltd.	500,000	5,000,000
32	Service Provident Fund Trust	500,000	5,000,000
33	SME Leasing Ltd.	250,000	2,500,000
34	The Bank of Khyber	2,000,000	20,000,000
35	The Bank of Khyber - Contributory Provident Fund	2,500,000	25,000,000
36	The Bank of Punjab	7,500,000	75,000,000
	Total	70,000,000	700,000,000

The Pre-IPO Investors including the Investment Adviser have subscribed to an amount of Rs.700 million i.e. 70 million certificates of Rs.10/- each of the NBF as confirmed by the Auditor's Certificate in Annexure "B" of this Offering Document.

5.1.1 Restriction on Sale of Certificates by Pre-IPO Investors

As per Listing Regulation No. 6A(7)(ii) of KSE, certificates subscribed by the Pre-IPO Investors shall not be sellable for a period of six months from the date of public subscription.

5.2 Opening and Closing of Subscription List

THE SUBSCRIPTION LIST WILL OPEN "INSHA-ALLAH" AT THE COMMENCEMENT OF BANKING HOURS ON **NOVEMBER 01, 2006** AND WILL CLOSE ON **NOVEMBER 03, 2006** AT THE CLOSE OF BANKING HOURS.



5.3 Underwriting

The present offer of 30,000,000 certificates of the face value of Rs. 10 per Certificate has been fully underwritten as under:

S. No.	Name of Underwriter	No. of Certificates	Investment (PKR)
1	Al-Hoqani Securities & Investment Corp. (Pvt.) Ltd.	1,000,000	10,000,000
2	Dawood Equities Ltd.	6,000,000	60,000,000
3	First Capital Securities Corp. Ltd.	1,500,000	15,000,000
4	First Credit And Investment Bank Ltd.	1,000,000	10,000,000
5	Intermarket Securities (Pvt.) Ltd.	500,000	5,000,000
6	Invest Capital & Securities (Pvt.) Ltd.	3,000,000	30,000,000
7	ORIX Investment Bank Pakistan Ltd.	5,000,000	50,000,000
8	Pak Kuwait Investment Co.(Pvt.) Ltd.	2,500,000	25,000,000
9	Pak Oman Investment Company Ltd.	2,500,000	25,000,000
10	PICIC Asset Management Company Ltd.	500,000	5,000,000
11	Saudi Pak Leasing Company Ltd.	1,000,000	10,000,000
12	Security Leasing Corporation Ltd	500,000	5,000,000
13	The Bank of Khyber	5,000,000	50,000,000
	Total	30,000,000	300,000,000

If and to the extent, certificates hereby offered are not subscribed and paid for in cash in full by the closing of the subscription date, the Underwriters shall within 15 days of being duly called upon by the Issuer to do so, subscribe and pay for or procure subscribers to subscribe and pay for in cash in full those certificates not so subscribed, in proportion of their underwriting commitments. In the opinion of the Issuer, the resources of the Underwriters are sufficient to discharge their underwriting commitments.

5.4 No Buy Back / Repurchase Agreement

The Underwriters have not entered into any buy back / repurchase agreement with the Investment Adviser or any other person in respect of this Issue.

5.5 Investor Eligibility

Any investor or any group of investors qualified or authorized to subscribe or purchase the Certificates may make applications for the issue of Certificates in NBF. The onus for being so qualified lies with the investor and neither the Investment Adviser, nor the Trustee, nor the Transfer Agent accepts any responsibility in this regard. Application may be made pursuant to the procedures described in paragraph below including but not limited to:

1. Citizens of Pakistan resident in Pakistan.
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. In respect of trusts the trustees of such trusts may make an application to subscribe the Certificates.



5.6 Basis of allotment of Certificates

The basis and conditions of allotment shall be as follows:

5.6.1 Applications for the Certificates below the total value of Rs. 5,000/- shall not be entertained.

5.6.2 Applications for the Certificates must be made for 500 certificates or in multiples thereof.

5.6.3 An applicant will be entitled to apply in one category of applicants only.

5.6.4 If the Certificates to be issued to the general public are sufficient for the purpose, all applications shall be accommodated.

5.6.5 If the issue is oversubscribed in terms of number of applications and amount, the distribution shall be made by computer balloting, in the presence of representatives of Stock Exchange.

5.6.6 In case of over subscription of amount only, all applications shall be accommodated initially for 500 Certificates and the balance shall be allotted on pro-rata basis to applicants who have applied for Certificates in multiples of 500 certificates.

5.7 Refund of subscription money to unsuccessful applicants

The Investment Adviser shall take a decision within ten (10) days of the closure of subscription list as to which applications have been accepted or are successful and refund the money in cases of unaccepted or unsuccessful applications within ten (10) days of the date of such decision as required under the provision of section 71 of the Companies Ordinance, 1984.

As per sub section (2) of section 71 of the Ordinance if the refund is not made within ten days as required by sub section (1) of section 71 of the Ordinance the Investment Adviser of the Fund shall be jointly and severally liable to repay the money with surcharge at the rate of one and half percent, for every month or part thereof from the expiration of the 15th day and in addition, to a fine not exceeding Rs. 5,000/- and in case of a continuing offence to a further fine not exceeding Rs.100/- for every day after the said 15th day on which the default continues. Provided that the Investment Adviser shall not be liable if he proves that the default in making the refund was not due to any misconduct or negligence on his part.

5.8 Issue and Dispatch of Certificates

The Fund will dispatch physical Certificates to successful applicants or credit the respective CDS accounts within thirty (30) days of the date of subscription, in compliance with the requirement of the Stock Exchange. Certificates will be issued either in scrip-less form (in the Central Depository System) or in the shape of physical scrip on the basis of option exercised by the successful applicants. Physical certificates shall be dispatched to the bankers to the Issue for onward delivery to successful applicants, whereas scrip-less certificates shall be directly credited through book entries into the respective CDS accounts of the successful applicants maintained with the Central Depository Company of Pakistan Limited (CDC). The applicants who opt for the issuance of certificates in scrip-less form in the CDS should fill in the relevant columns of the Application form. In order to exercise the scrip-less option, the applicant must also have a CDS account at the time of subscription date. If the Investment Adviser makes default in compliance with the requirements of the Listing Regulations, it shall pay to the Stock Exchange a penalty of Rs. 500/- per day during which the default continues. The Stock Exchange may also notify the fact of such default and the name of the Fund by notice and also by publication in its Ready Board Quotation.



5.9 Transfer of Certificates

(a) Physical scrips:

The Investment Adviser of the Fund shall not refuse to transfer any fully paid certificates unless the transfer deed for any reason is defective or invalid. Provided that the Investment Adviser shall within 30 days from the date on which the instrument of transfer was lodged with it, notify the defect or invalidity to the transferee who shall, after the removal of such defect or invalidity is entitled to re-lodge the transfer deed with the Fund.

(b) Transfer under book entry system:

The Certificates maintained within the Central Depository System (the "CDS") in the book entry form shall be transferred in accordance with the provisions of the Central Depositories Act, 1997 and the Central Depository Company (CDC) of Pakistan Limited Regulations.

5.10 Principal purpose for issuance of Certificates

The purpose of this offering is to invite the general public to participate in the Certificate ownership of the Fund in order to provide them an opportunity to earn profit on their investment and avail the benefit of lower income tax rate.

5.11 Interest of Certificate Holders

None of the holders of the issued certificates of the Fund have any special or other interest in the property or profit of the Fund other than that as holders of ordinary certificates in the capital of the Fund except for the following:

5.11.1 Investment Advisor to the scheme interested in remuneration of the investment adviser

National Asset Management Company Limited

5.11.2 Consultant to the issue interested in Consultant to the issue fee

1. ORIX Investment Bank Pakistan Ltd.
2. Pak Kuwait Investment Co. (Pvt.) Ltd.
3. First National Equities Ltd.
4. First Pakistan Securities Ltd.

Of the above consultants M/s First National Equities Ltd. and First Pakistan Securities Ltd are also shareholders of the Investment advisor, i.e., National Asset Management Company Limited

5.11.3 Underwriter of the issue interested in underwriting commission

1. Al-Hoqani Securities & Investment Corp. (Pvt.) Ltd.
2. First Credit And Investment Bank Ltd.
3. ORIX Investment Bank Pakistan Ltd.
4. Pak Kuwait Investment Co. (Pvt.) Ltd.
5. Saudi Pak Leasing Company Ltd.
6. Security Leasing Corporation Ltd.
7. The Bank of Khyber.



5.11.4 Bankers to the Issue interested in banking commission

1. The Bank of Punjab
2. The Bank of Khyber

5.12 Right Certificates

The Investment Adviser may decide to offer Right Certificates to the existing Certificate Holders at a subscription price not higher than the Net Asset Value (NAV) of the closed end scheme at the close of business day on the date of announcement of the right issue, subject to approval of majority Certificate Holders in their meeting, subsequent approval by SECP and subject to The Companies (Issue of Capital) Rules, 1996. Twenty-one (21) days notice shall be given to the Certificate Holders in two newspapers having nation-wide circulation for holding such meeting.

5.13 Conversion of Fund into Open end fund

The Investment Adviser will offer the Certificate Holders an option to convert the Fund into an open end scheme after two years of its floatation, subject to the approval of majority of the Certificate Holders by resolution and approval of SECP, after complying to the provisions of the Rules.

5.14 Merger with other Closed end funds

NBF may, subject to the approval of the Certificate Holders by resolution and approval of SECP, merge with any other closed end fund, provided that it is strictly on the basis of net asset value.

6. SAFEGUARD OF MONEY

NO MONEY SHALL BE PAID TO THE INTERMEDIARY EXCEPT THE CERTIFICATE HOLDER OR HIS AUTHORIZED REPRESENTATIVE.

7. DISTRIBUTION POLICY

7.1 Distribution Policy

The Fund shall distribute by way of dividend to its Certificate Holders not less than ninety percent of its income received or derived from sources other than capital gains as reduced by such expenses as are chargeable to the Fund under the Rules.

The net amount available for distribution at the end of the financial year (or such interim period as may be decided) shall comprise of the revenues earned by the Fund less all expenses, incurred or accrued, attributable to the Fund and the adjustment of any realized capital gains or losses. The entire amount available for distribution may be distributed as cash dividend or bonus Certificates with the prior approval of SECP and that may qualify under the tax laws. The Fund will comply with regulatory and taxation requirements and the distribution policy may be amended accordingly. The Investment Adviser may from time to time pay to the members such interim dividends as appear to the Investment Adviser to be justified by the profits of the Fund. No dividends shall be paid otherwise than out of profits of the Fund for the year or any other undistributed profits. No unpaid dividends shall bear interest or mark-up against the Fund. The dividends shall be paid within the period laid down in the Ordinance.



Declaration of Dividend

The Investment Adviser shall decide no later than 45 days after the end of Financial Year whether to distribute among certificate holders, profits (if any) and shall advise the Trustee accordingly. Such profits may be distributed in cash or bonus certificates with the prior approval of the SECP as the Investment Adviser may determine.

7.2 Fractional certificates/ Less than marketable holding

At the end of every financial year the Investment Adviser may review and may offer to buy all certificates that are less than the marketable lot at the closing bid price of Certificate at KSE. However, if buy back of odd lot / fractional certificates has exhausted the Investment Adviser's maximum limits (currently 20%) of investment in the Closed end Scheme, the Investment Adviser shall sell excess holding of Certificates within six months of acquiring such Certificates.

7.3 Eligibility for dividend

The right Certificates and bonus Certificates shall rank pari-passu with the existing Certificates of the Fund in all matters including their rights in the net assets, earnings and the receipt of dividends and distributions.

7.4 Withholding Tax on Dividends

Dividend distribution to all resident companies shall be subject to withholding tax @ 5% and in any other case @10% of the gross amount of the dividend received in terms of this provision of section 150 as specified in the division III of part I, of the First Schedule to the Income Tax Ordinance 2001.

In terms of the provisions of section 5 read with section 8 of the Income Tax Ordinance, 2001, the withholding tax deducted at source on dividend would be final tax in respect of such income. However, under the provision of sub section 4 of Section 18 of the Income Tax Ordinance, 2001 any amount received by a bank or a non-banking finance company, where such amount represents distribution by a mutual fund out of its income from profit on debt (such as profits on Treasury Bills, Pakistan Investment Bonds, Term Finance Certificates, Commercial Paper and Continuous Funding System), shall be chargeable to tax at normal tax rates.

7.5 Deduction of Zakat

Income distribution will be subject to deduction of Zakat at source pursuant to the provisions of Zakat and Ushr Ordinance, 1980 (XVIII of 1980).



8. FEES AND CHARGES

8.1 Expenses to be borne by the Fund

The following expenses will be borne by the Fund:

- (1) Remuneration of the Investment Adviser
- (2) Remuneration of the Trustee
- (3) Brokerage and transaction costs related to investing and disinvesting of the Fund's property
- (4) Legal and related costs incurred in protecting or enhancing the interest of the Fund or collective interest of the Certificate Holders
- (5) Annual fee payable to SECP under the NBFC Rules
- (6) Stock exchange listing fee and subscriptions, including renewals
- (7) CDC fee and custody charges
- (8) Bank charges and financial costs, if any
- (9) Auditors' fees and charges
- (10) Formation Cost estimated at and not exceeding PKR 10,000,000 that will be amortized over a period of not less than five years.
- (11) Taxes applicable to the Trust on its income, turnover, assets, etc.
- (12) Rating fee

8.2 Investment Adviser Fee

The Investment Adviser shall be entitled to receive a remuneration annually, after the accounts of the Fund have been audited, a remuneration during the first five years of the scheme, of an amount not exceeding three percent (3%) of the average annual Net Assets and thereafter two percent (2%) of such assets.

8.3 Trustee Fee

The Trustee shall be entitled to a monthly remuneration out of the Fund Property based on tariff of charges annexed hereto (Annexure C). 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 Certificate holders, are reimbursable at actual.

8.4 Expenses of the Investment Adviser and the Trustee

The Investment Adviser and Trustee shall bear all expenditure in respect of their respective secretarial and office space and professional management including all accounting and administrative expenses for services provided in accordance of the Trust Deed. Neither the Investment Adviser nor the Trustee shall make any charge against the Certificate Holders or the Fund except such expenses or fees as are expressly authorised under the provisions of the Rules and the Deed, payable out of Fund property.

8.5 Preliminary and floatation expenses

The expenses of this Issue inclusive of underwriting commission, commission to the bankers to the issue and brokerage to the members of the stock exchange are estimated not to exceed PKR 10,000,000 and will be borne by the Investment Adviser and shall be reimbursable by the Fund in equal amounts paid annually over a period of not less than five years.



Break-up of these expenses is as follows:

Estimated Expense	Amount (PKR)
Underwriting commission	1,800,000
SECP Fee	25,000
Bankers to the Issue commission *	1,500,000
Stock Exchange Initial Listing Fee	1,000,000
CDC Listing fee	250,000
Broker commission on issue of certificates *	3,000,000
Legal & Professional charges	400,000
Consultant to the Issue fee	1,750,000
expenses of the issue including advertising, publication, printing of Offering Document, computer services, etc.	275,000
Total	10,000,000

* Represents maximum possible expenses under these heads.

Note: Estimates of expenses may be adjusted under one head and another; however, the total expenses shall not exceed Rs. 10,000,000.

8.6 Underwriting commission

The Investment Adviser has paid the Underwriters an initial underwriting commission @ 0.60% on account of the Fund on the amount underwritten. No take up commission will be paid to the underwriters if the Certificates are under subscribed.

8.7 Commission to bankers to the Issue

A commission not exceeding 0.50% of the amount collected on allotment in respect of successful applicants plus out of pocket expenses will be paid by the Investment Adviser on account of the Fund to the bankers to the issue for services to be rendered by them in connection with this issue. No commission shall be paid to the bankers in respect of certificates taken up by the Underwriters by virtue of their underwriting commitments.

8.8 Brokerage

Brokerage will be paid by the Investment Adviser to the members of the Karachi Stock Exchange (Guarantee) Limited at the rate of 1% of the value of Certificates actually sold through them. No brokerage shall be paid to the members in respect of Certificates taken up by the Underwriters by virtue of their underwriting commitments.



9. DETAILS OF EXEMPTIONS, TAXES LEVIED ON NBF

The information herein below is accurate as of the date of printing of this Offering Document. The taxability and tax rates are subject to change from time to time, as may be announced by the Government.

9.1 Taxation

Provision for current taxation may be based on taxable at current tax rates after taking into account tax rebates and tax credit available, if any.

9.2 Taxation on Income of the Fund

9.2.1 Liability for Income Tax

Under the Income Tax Law in Pakistan, definition of a public company includes a trust whose units are widely available to the public and any other trust as defined in the Trust Act, 1882 (II of 1882). Accordingly, the fund will be regarded as a public fund liable to tax rate applicable to a public Fund.

The Income of the fund will accordingly be taxed at the following rates:

- i. Dividend income received is taxable at the rate of 5% for public companies in gross income basis.
- ii. Capital gains on sale of shares listed on any Stock Exchange in Pakistan are exempt from tax till income year 2006-07.
- iii. All other income, if not otherwise exempt shall be taxed at the rate of 35% of net income.

Notwithstanding the tax rates stated above, the income of the Fund will be exempted from Income Tax, if not less than 90% of its accounting income of that year, as reduced by capital gains whether realized or unrealized, is distributed amongst the Certificate holder.

Further, under the provisions of Clause 47(b) of part IV of the second schedule to their come Tax Ordinance, 2001 the Funds income from dividend, profit on debt and commission is exempt from deduction of withholding tax under relevant provisions of law. It is the policy of the fund to comply with this law so as to obtain tax exemption. However, in the event the tax impact is not significantly adverse, the capital gains realized shall normally be retained for reinvestment by the fund.

9.2.2 Capital value Tax and Withholding tax on sale /purchase of share/certificate

The amendment made through Finance Act 2006, in to the Provisions of section 233-A of the income tax ordinance 2001 and capital value tax (Finance Act 1989) the following changes will be effective from July 01, 2006.

1. 0.02% Capital Value will be charged on purchase of all shares, Modaraba Certificates, any instruments of redeemable Capital as define in the Companies' Ordinance 1984.
2. 0.01% of withholding tax will be deducted on sale of shares, Modaraba certificates, any instruments of redeemable capital as define in section 233 of the Income Tax Ordinance 2001.

9.3 Taxation on Certificate Holders and Liability for Zakat

The information set forth below is included for general information purposes only. In view of the individual nature of tax consequences, each investor is advised to consult with his tax Adviser with respect to the specify tax consequences to him of investing in NBF.



9.3.1 Withholding tax dividend

Dividend distribution to all resident companies shall be subject to withholding tax @ 5% and in any other case @ 10% of the gross amount of the dividend received in terms of this provision of section 150 as specified in the division III of part I, of the First Schedule to the Income Tax Ordinance.

In terms of the provisions of section 5 read with section 7 of the Income Tax Ordinance, 2001, the withholding tax deducted at source or dividend would be final tax in respect of such income. However, under the provisions of sub section 4 of section 18 of then Income Tax Ordinance, 2001 any amount received by a banking company or a non-banking finance company, where such amount represents distribution by a mutual fund out of its income from profit on debt (such as profits on Treasury Bills, Pakistan Investment Bonds, Term Finance Certificates, Commercial paper and Carry Over Transactions), shall be chargeable to tax at normal tax rates.

9.3.2 Zakat

Under Zakat and Ushr Ordinance 1980, (XVIII of 1980), except for certain category of investors, Certificates held by resident Pakistani Certificate holders are subject to Zakat at 2.5% of the value of the Certificates held on the Zakat Valuation Date. Except for those Certificate Holders exempted under the said Ordinance, Zakat will be collected from the dividend payment and paid into the government treasury.

9.3.3 Exemption from Capital Gains

Capital gains derived from the sale of listed securities are presently not liable to Income Tax pursuant to Clause (110) of part I of the Second Schedule of the Income Tax Ordinance, 2001. This exemption is presently available up to income year June 30, 2007.

Disclaimer: The tax and zakat information given above on the Investment Adviser's tax Adviser's interpretation of the law, which to the best of the investment Adviser's understandings is correct but investors are expected to seek independent advice so as to determine the taxability arising from their investment in the certificates of the fund.



10. REPORTS AND ACCOUNTS

10.1 Date of NBF Financial Year

Financial Year for the Closed end Scheme will end on 30th June every year.

10.2 Revenue Recognition

(i) Realized gains/losses on investments:

Sales and purchases of marketable securities may be recognized on the date of contract. Capital gains and losses on the sale of marketable securities may be recognized in the year in which these arise.

(ii) Dividend/ Return:

Dividend income shall be recognized at the time of closure of shares transfer books of the company declaring dividend and return on securities other than shares may be recognized on time proportion basis. Profit on bank deposits shall be recognized on accrual basis.

(iii) Brokerage and underwriting commission:

Brokerage and underwriting commission may be accrued as and when due.

10.3 Valuation of Property Method

- (1) a security listed on a stock exchange shall be valued at its last sale price on such exchange on the date on which it is valued or if such exchange is not open on such date, then at its last sale price on the next preceding date on which such exchange was open and if no sale is reported for such date the security shall be valued at an amount neither higher than the closing asked price nor lower than the closing bid price;
- (2) an investment purchased and awaiting payment against delivery shall be included for valuation purposes as a security held and the cash account of the collective investment scheme shall be adjusted to reflect the purchase price;
- (3) an investment sold but not delivered pending receipt of proceeds shall be valued at the net sale price;
- (4) the value of any dividends, bonus shares or rights which may have been declared on securities in the portfolio but not received by the collective investment scheme as of the close of business on the valuation date shall be included as assets of the collective investment scheme if the security upon which such dividends, bonuses or rights were declared is included in the assets and is valued ex-dividend, ex-bonus or ex-rights as the case may be;
- (5) mark-up accrued on any mark-up-bearing security in the portfolio shall be included as an asset of the collective investment scheme if such accrued mark-up is not otherwise included in the valuation of the security;
- (6) any other income accrued up to the date on which computation was made shall also be included in the assets;
- (7) all liabilities, expenses, taxes and other charges due or accrued up to the date of computation which are



chargeable under these rules, other than the paid-up capital of the closed-end fund, shall be deducted from the value of the assets;

(8) the remuneration accrued up to the date of computation payable to the investment adviser or asset management company, as the case may be, for providing management and other services shall be included as an expense;

(9) a security not listed or quoted on a stock exchange, other than a government or debt security, shall be valued at investment price or its break up value as per last audited accounts, whichever is lower;

(10) a government security not listed on a stock exchange and traded in the interbank market shall be valued at the average rate quoted on a widely used electronic quotation system and such average rate shall be based on the remaining tenor of the security; and

(11) such method of valuation of assets and liabilities as may be specified by the Commission from time to time;

10.4 Accounting Method

The accounts will be prepared in accordance with the International Accounting Standards issued by the International Accounting Standards Committee (IASC) as adopted in Pakistan and the requirements of the Companies Ordinance, 1984 and NBFC Rules.

10.4.1 Marketable Securities

The Fund will adopt International Accounting Standards (IAS) through which Investments will be classified as held for trading, held to maturity and available for sale. Held for trading and Available for Sale investments will be measured at fair value being their market value at balance sheet date. The resulting gain or loss may be included in profit and loss for the period whereas cost may be calculated on moving average basis. Held to maturity investments which have a fixed maturity shall be measured at amortized cost and those investments which do not have a fixed maturity shall be measured at cost.

Classification of investments may be made based on the intended purpose of holding such investments, which are as follows:

a) Securities held for trading

These are investment securities, which are acquired principally for the purpose of generating profit, from short-term fluctuations in price.

b) Securities held to maturity

These are investment securities with fixed or determinable payments and fixed maturity.

c) Securities available for sale

These are investments, which do not fall under the "held for trading" or "held to maturity" categories.



10.5 Foreign Currencies

Foreign currency transactions may be translated into Pak rupees at the rate of exchange prevailing on the date of each transaction. Assets and liabilities denominated in foreign currencies may be translated into Pak rupee at the rate of exchange ruling on the balance sheet date. Exchange differences may be included in income currently.

11. REPORTS TO THE CERTIFICATE HOLDERS

11.1 The Investment Adviser shall make available to its Certificate Holders:

- a) An annual report, together with a copy of the balance sheet and income and expenditure account along with a trustee report and the auditor's report, within four months of closing of the accounting period.
- b) A half yearly report along with a limited scope audit review by the auditors of the Fund within two months of close of the second quarter of the financial year of the Fund.
- c) A quarterly report, within thirty days of the close of first and third quarters of the financial year of the Fund.

11.2 Such report, so far as may be applicable, shall be in accordance with requirements laid down in clauses (e), (f) and (h) of rule 34 of the Rules and shall contain a statement showing the shares/securities/ certificates owned at the beginning of the relevant period, shares purchased or sold during such period, and the shares/securities held at the end of such period together with the value (at cost and at market), and the percentage in relation to its own assets and the paid-up capital of the company whose certificates/ shares/securities are owned or in case of TFCs and other debt instruments the percentage in relation to the total issue size of such security.

11.3 The statement of income and expenditure of the Closed end Scheme shall include a statement of income and expenditure of the Investment Adviser in relation to the Fund.

11.4 The Investment Adviser may with the approval of the SECP and in consultation with the stock exchange place the quarterly reports on its website instead of mailing it to all Certificate Holders. However, the Investment Adviser will send a printed copy of the quarterly accounts to any Certificate Holder on demand free of cost at his registered address within one week of such demand.

12. WARNINGS

a) Prospective investors should consult one or more from amongst their investment advisers, legal advisers, bank managers, or other financial advisers.

b) Investors must recognize that all investments involve varying levels of risk. NBF invests in traded securities or contracts covering debt, equity and money market transactions. Such securities are subject to market fluctuations and risks inherent in all such investments. The prices of the Certificates in NBF are not assured. The level of dividends declared by the Fund cannot be assured. Investors are requested to read the Risk Disclosure statement and Disclaimer contained in section 2.5 and 2.6 herein above.



13. LIST OF DOCUMENTS AND WHERE THEY CAN BE INSPECTED

All documents concerning the Closed end scheme, as mentioned under the head of Filling of the Offering Document (page no.7), may be inspected at the registered office of the NAMCO at 179 B Abu Bakar Block, New Garden Town, Lahore and principal office at 19-C, Sunset Lane-6, South Park Avenue, Phase II, Extension, D.H.A., Karachi, or any other address, which may be notified by the Investment Adviser to the general public through newspapers.

14. DATE OF PUBLICATION OF OFFERING DOCUMENT

The date of publication of Offering Document is October 16, 2006.

15. INVESTMENT ADVISER ACCEPTS RESPONSIBILITY FOR INFORMATION

We as the Investment Adviser for the issue accept responsibility for the information contained in this Offering Document as being accurate at the date of publication.

16. TERMINATION OF CLOSED END SCHEME

16.1 By the Investment Adviser

The Investment Adviser may terminate NBF at any time by giving at least three months notice in writing to Certificate Holders and shall disclose the grounds of its decision.

16.2 By the Securities and Exchange Commission of Pakistan

If SECP considers that further continuation of the authorization of NBF will not be in the interest of Certificate Holders, it will give a three months notice to the Certificate Holders about its intention not to maintain such authorization, provided that no notice shall be served without offering an opportunity of hearing to the Investment Adviser.

16.3 Winding up

In case of termination of NBF, the Investment Adviser shall be required to wind up NBF and distribute the realized proceeds to the Certificate Holders in such a manner and within such time as may be specified by SECP.



17. APPLICATION AND ALLOTMENT INSTRUCTIONS

17.1

Name(s) and address(es) must be written in full, in block letters, in English and should not be abbreviated. All applications must bear the signature and address corresponding with that recorded with the bank in that account. In case of difference of signature with the bank and the Computerized National Identity Card (CNIC) /Power of Attorney (as the case may be), both signatures should be affixed on the application form.

17.2

Applications must be made on the Fund's printed form or a legible photocopy thereof. Application forms can also be downloaded from NAMCO'S website www.namco.com.pk

17.3

The applicants opting for scrip less form of security are required to complete the relevant sections of the application. In case of discrepancy between the information provided in the application form and the information already held by the CDS, the Investment Adviser reserves the right to issue Certificates in physical form.

17.4

a) In case of individual investors, an attested copy of Computerized National Identity Card (CNIC)/Passport (in case of overseas Pakistanis) should invariably be enclosed and the number indicated against the name(s) of applicant(s). Copy of the Computerized National Identity Card (CNIC)/ Passport can be attested by any Federal / Provincial Government Gazetted Officer, Councilor, Bank Manager, Oath Commissioner or Head Master of High School etc.

b) Original Computerized National Identity Card (CNIC), along with one attested photocopy, must be produced for verification, to the branch at the time of presenting an application. The attested photocopy will, after verification, be retained by the bank branch along with the application.

17.5

a) Applications made by companies, corporate bodies, provident/pension/gratuity funds/trusts, branches of companies and other legal entities must be accompanied by a copy of their Memorandum and Articles of Association or equivalent Instrument / document. Where applications are made by virtue of Power of Attorney, the same must be lodged with the application. Copy of such documents can be attested by any Federal / Provincial Government Gazetted Officer, Councilor, Bank Manager, Oath Commissioner or Head Master of High School etc.

b) Attested copies of the documents mentioned in para (17.5a) above must be produced for verification to the bank at the time of presenting an application. The attested photocopy will, after verification, be retained by the bank branch along with the application.

17.6

a) Application by foreign nationals and non-resident companies shall be accepted subject to existing laws and provided the subscription amount is paid by means of a remittance through banking channels or through other means permitted by State Bank of Pakistan. The application must be accompanied by a copy of their Passport for individuals or a copy of Memorandum and Articles of Association or equivalent instrument/document in case of a legal entity. Where applications are made by virtue of Power of Attorney, the same must be lodged with the application. Copy of such documents can be attested by any Federal/ Provincial Government Gazetted Officer, Councilor, Bank Manager, Oath Commissioner or Head Master of High School etc.

b) Attested copies of the documents mentioned in para (17.6a) above must be produced for verification to the bank at the time of presenting an application. The attested photocopy will, after verification, be retained by the bank branch along with the application.



17.7

- a) Subscription money must be paid by cheque/drafts drawn on applicant's own account.
- b) Remittance of full amount of Certificates at Rs. 10/- per Certificate must accompany each application and must be forwarded to any one of the bankers to the offer named in the Offering Document. Payments should be in the form of cheques or drafts payable to one of the bankers to the Offer "**A/C FDIBL - TRUSTEE NAMCO BALANCED FUND**" and crossed, "**A/C PAYEE ONLY**" and must be drawn on a bank in the same town as the bank to which the application has been sent.
- c) All applications must bear the signature and address corresponding with that recorded with the bank in the applicant's account.
- d) Only one application will be accepted against each account. In case of joint accounts, one application will be accepted in the name of each joint account holder. No application will be accepted in the name of a person shown as a minor in the records of the bank.

17.8

Copies of the Offering Document and application forms can be obtained from the members of Karachi Stock Exchange (Guarantee) Limited, the Bankers to the Offer and their branches and the registered office of the Investment Adviser (National Asset Management Company Limited).

17.9

Applications are not to be made by minors and persons of unsound mind.

17.10

Joint application from more than four persons will not be accepted. In case of joint applications each party must sign the application form and submit copies of attested Computerized National Identity Card (CNIC)/Passport (in case of overseas Pakistanis & foreign nationals). The Certificates will be dispatched to the person whose name appears first on the application form while in case of CDS, it will be credited to the respective CDS account and where any amount is refundable, in whole or in part, the same will be refunded by cheque by post, or through the bank where the application was lodged, to the person named first on the application form, without interest, profit or return.

17.11

Banks/members of the stock exchanges are not allowed to make applications for Certificates of the value of Rs. 5,000/- on account of their constituents except in the case of overseas Pakistanis. Such applications will be made by the subscribers themselves, complete in all respects and shall be certified by the Bank Manager as provided in the application form. Certificates in respect of such successful applications shall be issued in the name of the applicants and sent to the postal address stated in the applications or the address of the bank through which the applications were tendered, while in the case of CDS, it will be credited to the respective CDS account. These will not be issued in the name of aforesaid banking companies.

17.12

Applications for Certificates above the total value of Rs. 5,000/- may be made by banks/members of the stock exchanges on behalf of their constituents but must contain all the information in respect of each constituent on the application form. All such applications made by banks/members of the stock exchanges must also be certified by the Bank Manager concerned as provided in the application form. Certificates in respect of such applications will be made in the name of banks/members of the stock exchanges on account of the constituent and the relevant Certificates and advice for refunds will be sent to the bank/stock exchange member concerned.



17.13

No receipt will be issued for payment made with the application but an acknowledgement will be forwarded in due course either by the issuance of Certificates in whole or in part by return of the money paid with the application. The Bankers to the Offer will issue provisional acknowledgement for application lodged with them. No interest or profit will be payable in respect of the refunded amount.

17.14

It would be permissible for a bank to refund subscription money to unsuccessful applicants having an account in their bank by crediting such account instead of remitting the same by cheque, pay order or bank draft. Applicants should therefore, not fail to give their bank account numbers.

17.15

Allotment shall be made in accordance with the instructions of Securities and Exchange Commission of Pakistan.

17.16

Applications shall be subject to pre-ballot as well as post-ballot scrutiny. Applications which do not meet with the above requirements or applications which are incomplete will be rejected. Subscription money in respect of rejected applications shall not be refunded without the approval of Securities and Exchange Commission of Pakistan.

17.17

In case of application made by a banker or Stock Exchange member, the banker or Stock Exchange member shall obtain the certificate from the applicant(s) in terms of paragraph 3 of the application form and forward the same in original to the company with the application.

17.18

Making of any false statement in the application or willfully embodying incorrect information therein will make the applicant or the bank liable to legal action.

17.19

The basis of allotment shall be as follows:

- (a) Applications for the Certificates below the total value of Rs. 5,000/- shall not be entertained.
- (b) Application for the certificates must be made for 500 certificates or in multiples thereof.
- (c) Certificates will be issued in lots of 500 Certificates of Rs. 10/- each.
- (d) An applicant will be entitled to apply in one category of application only.
- (e) If the Certificates to be issued to the general public are sufficient for the purpose, all applications shall be accommodated.
- (f) If the issue is oversubscribed in terms of number of applications and amount, the distribution shall be made by computer balloting, in the presence of representatives of Stock Exchange.
- (g) In case of over subscription of amount only, all applications shall be accommodated initially for 500 Certificates and the balance shall be allotted on pro-rata basis to applicants who have applied for Certificates in multiples of 500 Certificates.
- (h) Allotments of Certificates will be subject to scrutiny of applications for subscriptions.



(i) Fictitious and multiple applications are prohibited and such application money shall be liable to confiscation under section 18A of the Securities and Exchange Ordinance, 1969.

BANKERS TO THE ISSUE

01.	United Bank Limited	02	MCB Bank Limited
03.	The Bank of Punjab	04	The Bank of Khyber

CODE OF OCCUPATION

01	Business	02	Business Executive
03	Service	04	Housewife
05	Household	06	Professional
07	Student	08	Agriculturist
09	Industrialist	10	Others



18. DEFINITIONS

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

18.1 "**Auditor(s)**" means a firm of Chartered Accountants that is appointed by the Investment Adviser with the consent of Trustee, as the auditor for the Closed-End Fund who shall be independent of the auditor of the Investment Adviser and Auditor of the Trustee in accordance with the Rules.

18.2 "**Authorized Investment**" means Pakistan origin investments transacted, issued, traded and listed inside or outside Pakistan and includes any of the following:

- (a) Securities, shares, stock, bonds, debentures, debenture stock, warrants, options, participation term certificates, modaraba certificates, musharika certificates, term finance certificates, convertible bonds and other asset backed or mortgage backed securities. Such investments shall include those for ready settlement as well as those for future settlement;
- (b) Treasury bills and other government securities;
- (c) Money market instruments including, certificates of deposit and bankers' acceptances, inter-bank transactions, repurchase transactions (REPOs) and reverse REPOs including Continuous Funding System (CFS). Purchase or sale of a security for ready settlement and the reverse thereof (sale or purchase, as the case may be) for future settlement. Continuous Funding System (CFS). is a form of financing transacted through the Stock Exchange. It consists of two simultaneous transactions, the first for purchase of an underlying security (shares) on the settlement date scheduled for the security and the second for selling back the security at a higher price for a subsequent settlement date;
- (d) Deposits with banks or financial institutions, including deposits in currencies other than the Pakistan Rupee;
- (e) Any other equity or debt security in respect of which permission to deal on a stock exchange is effective;
- (f) Investment in any equity or debt security, including venture capital investments, that may or may not be listed on the Stock Exchange but does not include bearer security or any security that would involve assumption of unlimited liability.
- (g) Warrants, options (including financial options and contracts), derivatives and contracts subject to prior approval of SECP. The investments in this asset class shall be for hedging purposes only and on such other conditions as may be specified by SECP from time to time.

18.3 "**Bank**" means any Schedule Bank, as defined under the State Bank of Pakistan Act, 1956 and licensed to carry on banking business and shall include a bank incorporated outside Pakistan and carrying on business in Pakistan as a Schedule Bank.

18.4 "**Bank Accounts**" means accounts maintained with a Bank, the beneficial ownership of which rests in the Certificate Holders.

18.5 "**Certificate**" means one undivided share in NBF.



18.6 "**Certificate Holder**" means a Holder of one or more Certificates in the Scheme whether or not definitive Certificates have been issued representing such Certificates, acknowledging the number of Certificates registered in the name of the Holder with the Transfer Agent or Trustee.

18.8 "**Connected Person**" shall have the same meaning as in the Rules.

18.9 "**Constitutive Document**" means Trust Deed which is the principal document governing the formation, management or operation of the Scheme and any related material agreement envisaged under the Rules.

18.10 "**Custodian**" means a Bank, the Central Depository Company, or any other Depository for the time being appointed by the Trustee with the approval of the Investment Adviser to hold and protect the Deposited Property or any part thereof as custodian on behalf of the Trustee; the Trustee may also itself provide custodial services for the Fund with the approval of the Investment Adviser at competitive terms, as part of the normal line of its business.

18.11 "**Deposited Property**" means the aggregate proceeds of the sale of all Certificates after deducting there from or providing there against any expenses chargeable to the Scheme and includes the Investment and all income, profit and other benefits arising there from and all cash and other assets movable or immovable 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 Certificate Holders pursuant to this Deed, but does not include any amount standing to the credit of the Distribution Account.

18.12 "**Distribution Account**" means the account (which may be a current, saving or deposit account) maintained by the Trustee with a Bank approved by the Investment Adviser in which the amount required for distribution of income to the Certificate Holders shall be transferred.

18.14 "**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 in connection with the issue, sale, transfer, cancellation or replacement of Certificates or otherwise which may have become or may be payable in respect of, 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 costs which may have been taken into account in ascertaining the Net Asset Value.

18.15 "**Formation Cost**" means all preliminary and floatation expenses of the Scheme including expenses in connection with authorization of the Scheme and its application fee payable to SECP, execution and registration of the Constitutive Document, issue, legal cost, printing, circulation and publication of the Offering Document, announcements describing the Scheme inviting investment therein and all expenses incurred during the period leading up to the initial issue of Certificates.

18.16 "**Investment**" means any Authorized Investment forming part of the Deposited Property. I
EMENT LIMITED

18.18 "**Investment Adviser**" means National Asset Management Company Limited.

18.19 "**NBF**", "**Fund**", "**Trust**", "**Scheme**" or "**Closed end Scheme**" means NAMCO Balanced Fund.

18.20 "**Modaraba**" means a form of partnership where one partner provides funds, while the other provides expertise and management.

18.22 "**Musharika**" means a relationship established under a contract by mutual consent of the parties for sharing of profit and loss arising from a joint enterprise or venture. All providers of capital are entitled to participate in



management, but not necessarily required to do so. The profit is distributed among the partners in pre-agreed ratios, while the loss is borne by each partner strictly in proportion to respective capital contributions.

18.23 "**Net Assets**" shall have the same meaning as in the Rules.

18.24 "**Net Asset Value**" means per Certificate value of the Scheme arrived at by dividing the Net Assets by the number of Certificates outstanding.

18.25 "**Offering Document**" means the prospectus, advertisement or other documents (approved by SECP) which contains the investment and distribution policy and all other information in respect of the Scheme, as required by the Rules and is circulated to invite offers by the public to invest in the Scheme.

18.26 "**Ordinance**" means the Companies Ordinance, 1984 as amended from time to time.

18.27 "**Par Value**" means the initial offer price of a certificate which shall be PKR 10.

18.28 "**Personal Law**" means the law of inheritance and succession as applicable to the individual Certificate Holder.

18.29 "**Register**" means the Register of the Certificate Holders kept pursuant to the Rules and this Deed.

18.30 "**Registrar**" or "**Transfer Agent**" means an organization, including a Bank that the Investment Adviser shall appoint for performing the Registrar or Transfer Agent Functions, as defined hereafter.

18.31 "**Registrar or Transfer Agent Functions**" means the function with regard to:

- (a) Maintaining the Register;
- (b) Processing requests for issue, transfer and transmission of Certificates and requests for recording of pledge or for recording of changes in information/particulars/data with regard to the Certificate Holders;
- (c) Dispatching income distribution warrants and bank transfer intimations.
- (d) Maintaining record of lien/pledge/charge; and
- (e) Keeping record of change of addresses/other particulars of the Certificate Holders

18.32 "**Reporting or base currency**" means Pakistani Rupee in which financial statements are reported.

18.33 "**Rules**" means the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003, as amended or replaced from time to time.

18.34 "**SECP**" means Securities and Exchange Commission of Pakistan, established under Section 3 of the Securities and Exchange Commission of Pakistan Act, 1997, and its legal successor.

18.43 "**Stock Exchange**" means Karachi Stock Exchange, Lahore Stock Exchange, Islamabad Stock Exchange or any other stock exchange registered under the Securities and Exchange Ordinance, 1969.

18.44 "**Term Finance Certificates**" mean redeemable debt instruments issued on profit and loss sharing basis.

18.45 "**Trustee**" means First Dawood Investment Bank Limited (FDIBL).

18.46 "**Zakat**" has the same meaning as in Zakat and Ushr Ordinance, 1980 (XVIII of 1980).



19. SIGNATORIES TO THE OFFERING DOCUMENT

Name	Position in Investment Adviser	Signatures
Mr. Ali Aslam Malik	Chairman	-sd-
Mr. Etrat H. Rizvi	Chief Executive Officer	-sd-
Mr. Ali Raza Jaffery	Director	-sd-
Mr. Shafiq Ahmad Khan	Director	-sd-
Mr. Imtiaz Ahmad Pervez:	Director	-sd-

Dated: 15-09-2006

Place: Karachi, Pakistan

1. Witness: Sd/-
Name: Syed Rehan Mobin
Address: National Asset Management Co. Limited
NIC No: 42301-2526149-9

2. Witness: Sd/-
Name: Mutahir Naseer Pasha
Address: National Asset Management Co. Limited
NIC No: 42201-4566970-1



Annexure A

List of Material Contracts

TRUST DEED

Deed of Trust signed between National Asset Management Company Limited (as Investment Adviser) and First Dawood Investment Bank Limited (as Trustee) dated April 17, 2006 to form the NAMCO Balanced Fund.

UNDERWRITING AGREEMENTS

The Investment Adviser has agreed to pay all the Underwriters an underwriting commission @ 0.60% on account of the Fund on the amount underwritten. No take up commission will be paid to the underwriters if the Certificates are under subscribed. The details of the agreements are as under:

S. No.	Name	No. of Certificates	Amount (PKR)	Date of Agreement
1	Al-Hoqani Securities & Investment Corp. (Pvt.) Ltd.	1,000,000	10,000,000	10-08-2006
2	Dawood Equities Ltd.	6,000,000	60,000,000	08-09-2006
3	First Capital Securities Corp. Ltd.	1,500,000	15,000,000	08-09-2006
4	First Credit And Investment Bank Ltd.	1,000,000	10,000,000	22-08-2006
5	Intermarket Securities (Pvt.) Ltd.	500,000	5,000,000	23-08-2006
6	Invest Capital & Securities (Pvt.) Ltd.	3,000,000	30,000,000	23-08-2006
7	ORIX Investment Bank Pakistan Ltd.	5,000,000	50,000,000	23-08-2006
8	Pak Kuwait Investment Co.(Pvt.) Ltd.	2,500,000	25,000,000	23-08-2006
9	Pak Oman Investment Company	2,500,000	25,000,000	22-08-2006
10	PICIC Asset Management Company Ltd.	500,000	5,000,000	27-08-2006
11	Saudi Pak Leasing Company Ltd.	1,000,000	10,000,000	23-08-2006
12	Security Leasing Corporation Ltd	500,000	5,000,000	29-08-2006
13	The Bank of Khyber	5,000,000	50,000,000	23-08-2006
	Total	30,000,000	300,000,000	



Annexure B – Auditors’ Certificate



Annexure B - Auditor's Certificate



Annexure C

TARIFF STRUCTURE

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

NET ASSETS TARIFF

Amount of Funds Under Management (Average NAV)	TARIFF
Upto Rs.250 million	0.12% p.a.
On amount exceeding Rs.250 million up to Rs.500 million	Rs 300,000 plus 0.10% on amount exceeding Rs 250 million.
On amount exceeding Rs.500 million up to Rs.2,000 million	Rs 550,000 plus 0.05% on amount exceeding Rs 500 million.