

**Risk Disclaimer:** All Investments in Exchange Traded Fund are subject to market risks. The NAV of Units may go down or up based on the market conditions. The investors are advised in their own interest to carefully read the contents of the Offering Document, in particular the Investment Policies mentioned in Clause 2.2, Risk Factors mentioned in clause 2.7, Taxation Policies mentioned in Clause 8 and Warnings in Clause 10 before making any investment decision.

## **OFFERING DOCUMENT OF**

### **JS Global Banking Sector Exchange Traded Fund**

**(An Open-Ended Exchange Traded Fund)**

**Open for Subscription: 11-09-2023**

<b>Category of CIS</b>	<b>Risk Profile</b>	<b>Risk of Principal Erosion</b>
Open ended Exchange Traded Fund	High	Principal at High risk

**MANAGED BY**

**JS GLOBAL CAPITAL LIMITED**

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**OFFERING DOCUMENT**  
**OF**  
**JS Global Banking Sector Exchange Traded Fund**  
**Open Ended Exchange Traded Fund**

**Managed By**

**JS GLOBAL CAPITAL LIMITED**

[A Securities Broker Licensed by SECP under the Securities Brokers Licensing & Operations Regulations, 2016]

**Date of Publication of Offering Document: 02-09-2023**

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The **JS Global Banking Sector Exchange Traded Fund** (the Fund/the Scheme/the Trust/the Unit Trust/ETF) has been established through a Trust Deed (the Deed) dated January 30, 2023 under the Sindh Trust Act, 2020, as amended vide Sindh Trusts (Amendment) Act, 2021 entered into and between **JS Global Capital Limited**, the Management Company, **Central Depository Company of Pakistan Limited**, the Trustee and is authorized under Non-Banking Finance Companies and Notified Entities Regulations, 2008, Securities Brokers Licensing & Operations Regulations, 2016 and Sandbox Guidelines, 2019 ("Regulations").

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**REGULATORY APPROVAL AND CONSENT**

**Approval of the Securities and Exchange Commission of Pakistan**

The Securities and Exchange Commission of Pakistan (SECP) has authorized the offer of Units of **JS Global Banking Sector Exchange Traded Fund** and registered as a notified entity under the Regulations vide Letter No. SCD/AMCW/JSBETF/260/2022/MF-NE-106 dated March 27, 2023 SECP has approved this Offering Document, under the Regulations vide Letter No. SCD/AMCW/JSBETF/362/2022 dated June 12, 2023.

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

**Offering Document**

This Offering Document sets out the arrangements covering the basic structure of the **JS Global Banking Sector Exchange Traded Fund** (the "Fund", the "Scheme"). It sets forth information about the Fund that a prospective investor should know before investing in any class of Units. The provisions of the Trust Deed, the Rules, the Regulations, circulars, directives etc. as specified hereafter govern this Offering Document.

Prospective investors in their own interest are advised to carefully read this Offering Document to understand the Investment Policy, Risk Factors, Warning and Disclaimer. If the prospective investor has any doubt about the contents of this Offering Document, he/she/it should consult their investment advisors, legal advisors, bank managers, stockbrokers, or financial advisors to seek independent professional advice before investing.

Investors must recognize that the investments involve varying levels of risk. The portfolio of the Fund consists primarily of investments in listed securities that are subject to market fluctuations and other risks inherent in all such investments. Neither the value of the Units in the Fund nor the dividend declared by the Fund is, or can be, assured. Investors are requested to read the Risk Disclosure and Warnings statement contained in Clause 2.7 and Clause 10 respectively in this Offering Document.

### **Filing of the Offering Document**

The Management Company has filed a copy of the Offering Document signed by the Chief Executive along with the Trust Deed with SECP. Copies of the following documents can be inspected at the registered office of the Management Company or the place of business of the Trustee:

- (1) License No. **149/Securities Broker/2022** dated **1 January, 2022** and SECP's letter No. SECP/Sandbox-25/2022 dated 22-09-2022 granted by SECP to JS Global Capital Limited to launch ETF;
- (2) Trust Deed (the Deed) of the Fund;
- (3) SECP's Letter No. SCD/AMCW/JSBETF/260/2022/MF-NE-106 dated March 27, 2023 registering the Fund in terms of Regulation 44 of the NBFC and Notified Entities Regulations 2008;
- (4) Letter dated **3 March, 2023** from Grant Thornton, Auditors of the Fund, consenting to the issue of statements and reports;
- (5) Letter No. **JSGCL/1020/22/244** dated **15 December, 2022** from Bawaney & Partners, Legal Advisors of the Fund, consenting to act as legal advisor;
- (6) SECP's letter No. SCD/AMCW/JSBETF/362/2022 dated **June 12, 2023** approving this Offering Document.

## **1. CONSTITUTION OF THE SCHEME**

### **1.1. Constitution**

The Fund is an Open-End Fund and has been constituted by a Trust Deed entered into at Karachi on **30<sup>th</sup> January, 2023** between:

**JS GLOBAL CAPITAL LIMITED (JSGCL)**, a public limited company incorporated in Pakistan under the erstwhile Companies Ordinance, 1984, now Companies Act, 2017, listed on the Pakistan Stock Exchange Limited, with its registered office at The Centre, 18th Floor, Plot No.28 SB-5, Abdullah Haroon Road, Saddar, Karachi, Pakistan (hereinafter called the “Management Company”, which expression, where the context so permits, shall include its successors-in-interest and assigns), of the One Part; and

**Central Depository Company of Pakistan Limited**, a company incorporated under the erstwhile Companies Ordinance, 1984, now Companies Act, 2017 and registered with the Securities and Exchange Commission of Pakistan as a central depository company, with its registered office at CDC House 99-B, Block B, S.M.C.H.S Main Shahra-e-Faisal, Karachi, Pakistan as the Trustee.

### **1.2. Trust Deed (the “Deed”)**

The Deed is subject to and governed by the Non-Banking Finance Companies (Establishment and Regulations) Rules, 2003 and Non-Banking Finance Companies and Notified Entities Regulations, 2008, Securities Act 2015, Companies Act, 2017 and all other applicable laws and regulations. The terms and conditions in the Deed and any supplemental deed(s) shall be binding on each Unit Holder. In the event of any conflict between the Offering Document and the Deed the latter shall supersede and prevail over the provisions contained in this Offering Document. In the event of any conflict between the Deed and the Rules or Regulations and Circulars issued by SECP, the latter shall supersede and prevail over the provisions contained in the Deed.

### **1.3. Modification of Trust Deed**

The Trustee and the Management Company, acting together and with the approval of SECP, shall be entitled by supplemental deed(s) to modify, alter or add to the provisions of the Deed to such extent as may be required to ensure compliance with any applicable laws, Rules and Regulations.

Where the Deed has been altered or supplemented, the Management Company shall duly notify to the Unit Holders and shall be posted on their official website.

### **1.4. Duration**

The duration of the Fund is perpetual. However, SECP or the Management Company may wind it up or revoke, on the occurrence of certain events as specified in the Regulations or Clause 11.4 of this document.

### **1.5. Trust property**

It is hereby irrevocably and unconditionally declared that:

- a) The Trustee shall hold and stand possessed the Trust Property that may from time-to-time hereafter be vested in the Trustee upon trust as a single common fund for the benefit of the Unit Holder(s) ranking *pari passu* inter se, according to the number of Units held by each Unit Holder(s);
- b) The Trust Property shall comprise of the Portfolio Deposit and cash component received from all the Creation Units issued, as specified in this Document and the conditions stipulated in Trust Deed, the Regulations and the requirements prescribed by the Commission, as amended or substituted from time to time (“SECP Requirements”);
- c) The Management Company shall offer Creation Units or multiples thereof to Authorized Participants in exchange of underlying Portfolio in term of provision contained in this Document; and

- d) The Management Company shall track the Index which comprises of basket of equity securities as specified in Clause 2.1 of this Document.

### **1.6. Issuance, Buying and Selling of ETF units**

Units of the Fund may be acquired or redeemed directly from the Fund only in Creation Units lot size or multiples thereof, as specified in the Creations and Redemptions section of this document. Only an Authorized Participant may engage in creation or redemption transactions directly with the Fund.

Once created, units of the Fund generally trade in the secondary market in multiplier of Marketable lot size which can be less than a Creation Unit lot size. Units of the Fund are listed on a Pakistan Stock Exchange for trading. Units can be bought and sold throughout the trading day like shares of other publicly-traded companies. The Trust does not impose any minimum investment for units of the Fund purchased on an exchange in the secondary market. **However, PSX may impose certain restrictions on LOT size of ETF to be traded at the Exchange.**

Buying or selling Fund shares on an exchange in secondary market involves two types of costs that may apply to all securities transactions. When buying or selling units of the Fund through a broker, you may incur a brokerage commission and other charges.

In addition, you may incur the cost of the “spread,” that is, any difference between the bid price and the ask price. The spread varies over time for shares of the Fund based on the Fund’s trading volume and market liquidity, and is generally lower if the Fund has high trading volume and market liquidity, and higher if the Fund has little trading volume and market liquidity. The Fund’s spread may also be impacted by the liquidity of the underlying securities held by the Fund, in instances of significant volatility of the underlying securities.

The Management Company has adopted a policy of not monitoring for frequent purchases and redemptions of Fund’s units (“frequent trading”) that appear to attempt to take advantage of a potential arbitrage opportunity presented by a lag between a change in the value of the Fund’s portfolio securities after the close of the primary markets for the Fund’s portfolio securities and the reflection of that change in the Fund’s NAV.

The Pakistan Stock Exchange, on which the Fund’s shares are listed is open for trading Monday through Friday and is closed on weekends and the holidays as specified and announced by the PSX.

#### **Difference between ETF and open-end fund;**

An ETF is one way to invest in the stock or bond market without buying individual stocks or bonds. An exchange-traded fund is much like a regular mutual fund in that sense when you buy a share of an exchange-traded fund each share represents a tiny slice of all of the funds' underlying investments, allowing you to diversify across a pre-determined set of stocks or bonds by owning one single fund.

Most exchange-traded funds function like an index fund. For example, you buy a KSE-30 Index exchange-traded fund; that fund will own all 30 stocks listed in the KSE-30 index. It will not trade in and out of those stocks (except for rebalancing caused by any changes in KSE-30 Index or corporate actions in the ETF underlying constituents) - it simply owns the stocks listed in the index. By buying a share of the fund your money is instantly diversified across all of the underlying stocks.

Exchange traded funds differ from regular mutual funds in the way they are priced and in the way they trade, which means you can apply certain trading strategies with an exchange-traded fund which you cannot do with a regular mutual fund.

**Pricing of an Exchange Traded Fund;** A regular mutual fund sets its price once each day after the market has closed. The actual price you trade at is unknown because orders are placed during or before a market close and then "filled" at the closest new market value. The closing value will be re-priced based on the number of shares bought and sold and the net asset value of the total fund.

An exchange-traded fund prices just like a stock with fluctuations in value throughout the trading period. Since exchange traded funds price throughout the day, you can purchase or sell them mid-day, buy on a dip in the market, or sell on a rally. Because the stock market prices are influenced by current news and worldwide

opinions, the prices are prone to sudden and frequent impulse changes.

One advantage ETF's have over regular mutual funds is typically a lower operating expense fee which means you are paying less to own the fund.

**Trading of an Exchange Traded Fund;** When you buy or sell shares of a regular mutual fund you buy or sell them directly to and from the investment company that issues them, so you cannot trade them mid-day, nor can you use trading strategies like limit orders. You will buy shares of mutual funds in cash, which means you may end up with an odd number of shares, including fractions.

An exchange-traded fund, however, trades like a stock, pricing throughout the day. When you buy or sell it, you are trading it with other investors who are buying or selling. Since an exchange-traded fund trades in this way, you can use trading strategies such as limit orders or stop losses, which allows you to specify a specific price at which you wish a transaction to occur.

### **Parties to an ETF**

Subject to the NBFC Regulation, Rule book of PSX and agreements created under this arrangement, following parties are directly associated with the Creation Redemption and trading of ETF securities and are defined in this document;

- Management Company of the scheme,
- Trustee of the scheme,
- Authorized Participants of the scheme,
- Market Maker of the scheme, and
- The Pakistan Stock Exchange

### **Advantages and Disadvantages of ETF**

Apart from the risk associated with the ETF fund as specified in this document, following are the advantages and disadvantages of ETF. Investors should note that these are general advantages/disadvantages of ETFs and may vary from one ETF to another and may not be applicable on JSGBETF.

#### **Advantages**

- They have higher daily liquidity than managed funds. Investors may have difficulty exiting a managed fund if much redemption are taking place at the same time.
- They have lower fees than managed funds.
- Investors are able to diversify more broadly with an ETF. You can buy the market and get instant diversification with the purchase of one ETF. You can have a portfolio of different stocks and not have to manage all the stocks yourself.
- Investors can access international shares without having to open an international share trading account.
- There is more transparency in an ETF compared to a managed fund as ETF funds disclose all holdings. Managed funds don't publish all the stocks in the fund.
- There is less administration required with ETFs. An application form is required when buying units in a managed fund and a redemption form is required when selling units. With an ETF, you can just buy and sell on Exchange.
- ETFs are traded on the stock exchange and so pricing is in real time, with managed funds pricing is not as regular.

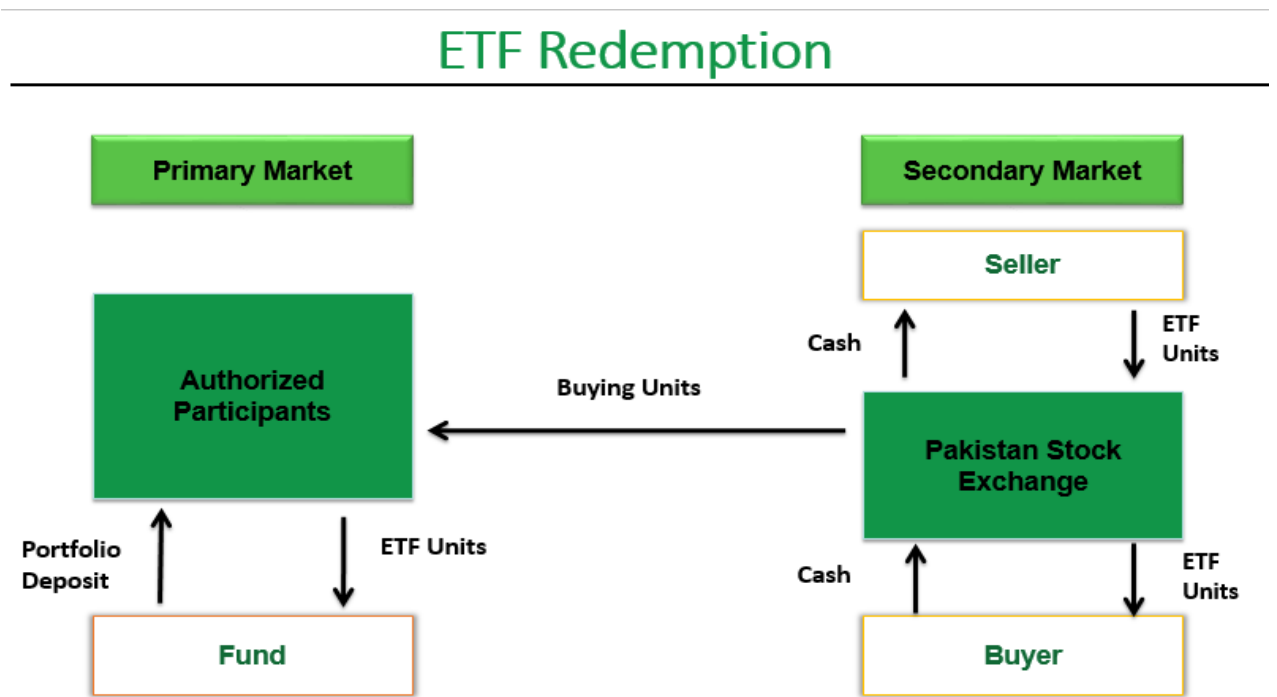
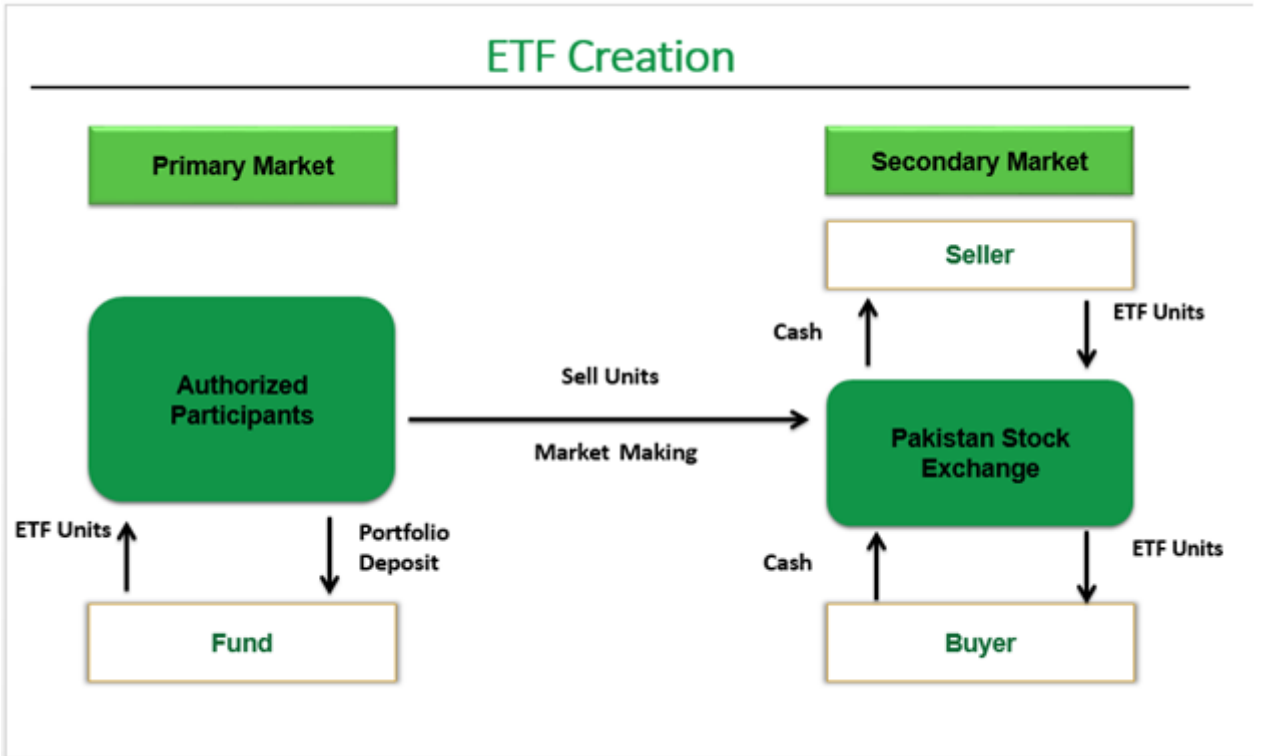
#### **Disadvantages**

- ETFs track an index offering a passive strategy. These particular types do not actively try and beat the market. With managed funds, you can select different trading strategies. Investors have more choice of finding an actively traded fund with managed funds.



- Managed funds generally don't charge transaction fees, ETFs do. Regardless of how many trades a managed fund executes, the investor is usually just charged the management fee/performance fee.
- ETFs usually comprises of an index with large caps companies so investors looking to invest in small or medium cap companies may find it hard with ETFs.
- Trading volumes with ETFs may be low so there may be a wide bid ask spread. This means liquidity may be low.

**ETF Creation/Redemption Flow:**



## **1.7. Offering Document**

The provisions of the Trust Deed, the Rules, the Regulations, circulars and the Directives issued by the Commission govern this Offering Document. It sets forth information about the Fund that a prospective investor should know before investing in any Unit. Prospective investors in their own interest are advised to carefully read this Offering Document to understand the Investment Policy, Risk Factors and Warning and Disclaimer and should also consult their legal, financial and/or another professional advisor before investing.

## **1.8. Modification of Offering Document**

This Offering Document will be updated to take account of any fundamental attribute changes relating to the Fund. Such changes shall be subject to prior consent of the Trustee and approval from the Securities and Exchange Commission of Pakistan (SECP), and shall be circulated to all Unit Holders and/ or publicly notified by advertisements in the newspapers subject to the provisions of the Rules and the Regulations and duly posted on official website of the Management Company. These changes shall also be notified to PSX within due time as per the requirement of PSX Rule Book.

## **1.9. Responsibility of the Management Company for information given in this Document**

Management Company accepts the responsibility for the information contained in this Offering Document as being accurate at the date of its publication.

## **2. INVESTMENT OBJECTIVES, INVESTMENT POLICY, RESTRICTIONS, RISK DISCLOSURE AND DISCLAIMER**

### **2.1. Investment Objective**

JS Global Banking Sector Exchange Traded Fund (JSGBETF) is an open-ended scheme that is traded on Pakistan Stock Exchange and shall aim to track the Authorized Index - "JS Global Banking Sector Index" (JSGBKTI) constituted by the Management Company, which comprises of the basket of equity securities and subsequently be realigned due to occurrence of certain circumstances, as specified in this document, in order to provide long-term capital appreciation and dividends yield to the investors.

#### **2.1.1. Investment Policy**

The Fund will invest in a particular basket of equity securities to track the performance of a representative securities index (JSGBKTI, details of which are contained in the following section), which is constituted by the Management Company and independently managed by PSX.

The performance of the Fund may vary from the underlying Index for a number of reasons, including transaction costs, asset valuations, corporate actions (such as mergers and spin-offs), timing variances and differences between the Fund's portfolio and the Underlying Index resulting from the non-availability of any specific security at any given time period. These factors shall result in Tracking Error; the "Tracking error" which is the standard deviation of the difference between daily returns of the Fund and that of the underlying Benchmark Index. The Management Company expects a tracking error up to a maximum of 15% as allowed under Regulations.

The Management Company shall use a replication indexing strategy. "Replication" is an indexing strategy in which a fund invests in substantially all of the securities in its underlying benchmark index in approximately the same proportions as in the underlying benchmark index.

The Management Company shall ensure that at all times, at least 85% of the Assets of the ETF remain invested in the component securities of the Benchmark Index being tracked by it, while the remaining assets may comprise of cash or cash equivalents.

## 2.1.2. The Benchmark of Fund

The benchmark of the fund shall be the performance of JS Global Banking Sector index based on weighted average cumulative performance of underlying securities of the index. The Management Company shall disseminate the Fund's performance with this Benchmark to the unit holders and/or PSX with certain intervals as specified by the Commission.

The Management Company shall immediately notify the Commission, the Exchange and the Trustee upon rebalancing of the JS Global Banking Sector Exchange Traded Fund (JSGBETF) based on the process agreed with PSX relating to intimation of rebalancing and announcement of INAV etc.

Notice to the Commission, Exchange and a notice on the website of Management Company would be sufficient to comply with the notice requirements.

The Management Company shall ensure that per party and per group limits and restrictions in relation to the securities held by the ETF are in accordance with their weightage in the Benchmark index.

### JSGBKTI

<b>Security Selection</b>	Stocks under BKTi
<b>Determination of Weight</b>	Equal weights to all stocks in the index

## Rebalancing and Reconstitution

### Rebalancing of the ETF

- **Rationale:** Weight adjustment will be done to ensure equal weights; market fluctuations and corporate actions such as right issuance, mergers and acquisition, stock buy backs, etc. may necessitate rebalancing.
- **Frequency, Basis and implementation:** JSGBETF shall be rebalanced on Semi-annual basis as per the mechanism adopted by PSX for BKTi, which is given below:

Basis	Revision
30 <sup>th</sup> June	15 <sup>th</sup> August
31 <sup>st</sup> December	15 <sup>th</sup> February

Any change in the re-composition mechanism of PSX for BKTi shall be adopted by the Management Company for JSGBETF.

### Reconstitution of the Benchmark Index

- **Rationale:** Reconstitution of JSGBETF will be undertaken in line with the frequency and timing of re-composition of BKTi. Securities will be added and deleted to align the securities of the Fund with BKTi scrips from where scrips of the benchmark index are selected.
- **Frequency & Basis:** As per BKTi index

- **Implementation:** At the time of change in Banking Sector Tradable Index (BKTi) as notified by the PSX.

Detailed methodology shall be available on the website of the Management Company and the PSX. Kindly note that the cash component will not become part of the index.

### 2.1.3. Constituents of the Benchmark Index

The constituents of the Benchmark index will be stocks that are part of the Banking Sector and are also part of BKTi index of PSX. The Benchmark index will also add or delete stocks from its underlying securities in-line with the BKTi index.

The constituents of the benchmark index i.e. JSGBKTI and their respective weight are as follows:

Stocks selected for JSGBETF	Respective Weight
1. BAFL	12.5%
2. BAML	12.5%
3. BOP	12.5%
4. FABL	12.5%
5. HBL	12.5%
6. MCB	12.5%
7. MEBL	12.5%
8. UBL	12.5%

In case of BKTi increasing or decreasing its frequency of rebalancing, JSGBETF will follow accordingly.

Equal weight will be assigned to each individual stock. The reason to assign an equal weight is to execute the concept of diversification, spreading the risk/return equally among all the constituents instead of a few large-cap stocks. This will also allow relatively smaller cap banks to provide the opportunity to contribute higher to total returns, increasing the probability of alpha returns.

At the rebalancing/re-constitution date, in order to restore the target weights, weights of all constituents will be equally divided. Constituents with higher weights would be sold to the extent their respective weights are back to equal weights of the rest stocks of the ETF. The funds released by the sale would be used to purchase shares of respective stocks that would be underweight at that time to the extent that those stocks equally weigh in the ETF.

### 2.1.4. Special Circumstances under which Benchmark Index may be Re-balanced/Re-Composed

In case JSGCL is of the opinion that circumstances warrant change in the Benchmark Index, it may carry out rebalancing/re-constitution of the Index at such frequency and at such time as it may deem fit. Such circumstances may include, but are not limited to, corporate announcements/actions, including right issue, bonus issue, dividend declaration, events/developments etc. that may require review or rebalancing of the existing Portfolio basket.

JSGCL shall immediately notify the Commission, the Exchanges on which it registered the ETF, Unit Holders and the Trustee upon rebalancing/reconstitution of the Benchmark Index. Notice to the Exchange and a notice on the website of JSGCL would be sufficient to comply with the notice requirements.

The latest benchmark index information and other important news of the index shall be available from the PSX.

### **2.1.5. JSGBKTI to be a Total Return Index**

Return calculation for the JSGBKTI for the purposes of Tracking error calculation and any other purposes shall be based on Total Return methodology. This means that for any given period, the return of the JSGBKTI shall constitute the price return plus any payouts announced by the constituent stocks of the JSGBKTI.

### **2.2. Risk Control in the Investment Process**

In line with the investment objective of the scheme, the management company shall specify the equity security with proportion of each security which comprises the index.

While selecting the security, the management company will consider the index methodology only.

### **2.3. Changes in Investment Policy**

The investment policy will be governed by the Regulations and/or SECP directives. Any fundamental change in the Investment Policy will be implemented only after obtaining prior approval from SECP and inform the PSX within due time as specified in the PSX Rule Book.

### **2.4. Investment Restrictions**

The Trust Property shall be subject to such exposure limits or other prohibitions as are provided in the Regulations, Trust Deed, this Offering Document of the Fund, circulars and directives and shall also be subject to any exemptions that may be specifically given to the Fund by SECP and are explicitly mentioned under the heading Exceptions to Investment Restriction in this Offering Document or subsequently in writing. Management Company shall ensure that per party and per group exposure limits and restrictions in relation to the securities held by the ETF are in accordance with their weightage in the benchmark index. Any non-compliance or breach of such investment limits shall be rectified within three business days. Variation between the benchmark index and ETF allocation of 10% is permissible in each scrip forming part of ETF. Any variation beyond 10% which may be caused by movement in market process of constituent scrips or corporate actions may be rectified as described in 2.1.4 above. The Management Company on behalf of the Scheme shall not:

- 2.4.1.1 Lend, assume, guarantee, endorse or otherwise become directly or contingently liable for or in connection with any obligation or indebtedness of any person as specified in the Regulation;
- 2.4.1.2 Make any investment which will vest with the Management Company or its group the management or control of the affairs of the investee company;
- 2.4.1.3 Acquire twenty-five percent (25%) or more of the voting rights or control of a company on behalf of the Collective Investment Schemes;
- 2.4.1.4 Invest in securities of the Management Company;
- 2.4.1.5 Issue a senior security which is either stock or represents indebtedness, without the prior written approval of the Commission;
- 2.4.1.6 Apply for de-listing from stock exchange, unless it has obtained prior written approval of the Commission;
- 2.4.1.7 Merge with, acquire or take over any scheme, unless it has obtained the prior approval of the SECP in writing to the scheme of such merger, acquisition or takeover;
- 2.4.1.8 Enter on behalf of the Scheme, into underwriting or sub-underwriting contracts;
- 2.4.1.9 Subscribe to an issue underwritten, co-underwritten or sub-underwritten by group companies of the Management Company;

- 2.4.1.10 Pledge any of the securities held or beneficially owned by the Scheme except as allowed under the Regulations;
- 2.4.1.11 Accept deposits;
- 2.4.1.12 Make a loan or advance money to any person from the assets of the Scheme;
- 2.4.1.13 Rating of Bank with which Funds are placed shall be as per **Investment Grade & Above**;

Clause 37(7)(h) of NBFC regulations relating to brokerage to a single broker will not be applicable on this Fund;

Requirements of Circular 28 of 2021 relating to criteria for investing in equity shares will not be applicable on this Fund.

The Management Company in managing the Fund shall abide by all the provisions of the Trust Deed, the Offering Document, the Regulations and any other applicable laws.

## **2.5. Exemption to Investment Restrictions**

In order to protect the right of the Unit Holders, the Management Company may take an Exposure in any unauthorized investment due to recovery of any default proceeding of any counter party of any Authorized Investment with the approval of the Commission.

## **2.6. Transactions Relating to Investment/Portfolio Management**

In case of Issuance of Creation Units, the Trustee shall ensure that, Portfolio Deposit and Cash Component is received (where Cash Component is a positive value) against Creation of Units.

In case of redemption of Units, the Trustee shall ensure that the requisite Units of ETF equaling the Creation Unit size have been transferred to the Fund's Depository account and the amount of Cash Component has been paid to the Authorized Participant or vice versa. There may be situation where the Authorized participant has to pay cash component at the time of redemption. For example if the FUND NAV is below the value of portfolio deposit.

The Trustee shall promptly forward to the Management Company 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.

The Management Company shall also advise the Trustee, of the details of amounts to be paid and to deliver Portfolio Deposit to respective Authorized Participants against redemption requests. Such transfer of Portfolio Deposit/payments shall be affected by the Trustee out of the respective accounts of the Unit Trust by way of transfer to the appropriate account of the Authorized Participant.

The Management Company shall provide the Trustee with regular reports indicating dividends, other forms of income or inflows and any rights or warrants relating to the Investments that are due to be received. The Trustee shall report back to the Management Company any such amounts or warrants that are received on such accounts, from time to time.

### **Restriction of Transactions with Connected Persons**

All transactions carried out by or on behalf of the Scheme with connected person(s) shall be made as provided in the Constitutive Documents, and shall be disclosed in the Scheme's annual reports.

## 2.7. Risk Disclosure

Investors must realize that all investments in Mutual Funds including ETFs and securities are subject to market risks. Target return / dividend range cannot be guaranteed and it should be clearly understood that the portfolio of the Fund is subject to market price fluctuations and other risks inherent in all such investments. ETF is traded at the Exchange, it may have other risks including secondary market liquidity etc. which are generally not there in a typical open end mutual Fund.

It may further be noted that the fund is introduced under the Regulatory Sandbox Guidelines, 2019 of SECP and the fund will be revoked on completion of regulatory sandbox testing, unless otherwise authorised by the SECP under applicable regulatory framework.

The risks may emanate from various factors that could include, but are not limited to the following:

### **a) Authorized Participant/ Market Maker Concentration Risk.**

Only an Authorized Participant/ Market Maker may engage in creation or redemption transactions directly with the Fund. The Fund has a limited number of institutions that may act as Authorized Participants/ Market Maker. To the extent that Authorized Participants/ Market maker exit the business or are unable to proceed with creation or redemption orders with respect to the Fund and no other Authorized Participant/ Market maker is able to step forward to create or redeem Creation Units, Fund units may be more likely to trade at a premium or discount to NAV and possibly face trading halts or delisting. Since the Fund is starting with one Authorized Participant/Market Maker that risk is currently high and will reduce overtime as the number of Authorized Participants/Market Makers increase.

### **b) Concentration Risk**

The Fund may be susceptible to an increased risk of loss, including losses due to adverse events that affect the Fund's investments more than the market as a whole, to the extent that the Fund's investments are concentrated in the securities of a particular issuer or issuers, country, group of countries, region, market, industry, group of industries, sector or asset class. The Fund may be more adversely affected by the underperformance of those securities, may experience increased price volatility and may be more susceptible to adverse economic, market, political or regulatory occurrences affecting those securities.

### **c) Equity Securities Risk**

The Fund invests in equity securities, which are subject to changes in value that may be attributable to market perception of a particular issuer or to general stock market fluctuations that affect all issuers. Investments in equity securities may be more volatile than investments in other asset classes. The Underlying Index is comprised of common stocks, which generally subject their holders to more risks than preferred stocks and debt securities because common stockholders' claims are subordinated to those of holders of preferred stocks and debt securities upon the bankruptcy of the issuer.

### **d) Market Trading Risk**

Although shares of the Fund are listed for trading on one or more stock exchanges, there can be no assurance that an active trading market for such shares will develop or be maintained by Market Makers or Authorized Participants.

### **e) Tracking Error Risk**

Tracking Error means the difference between daily returns of an ETF and that of the underlying Benchmark Index for any given period. The Fund may be subject to tracking error, which is the divergence of the Fund's performance from that of the Underlying Index. Tracking error may occur because of differences between the securities and other instruments held in the Fund's portfolio and those included in the Underlying Index, differences in transaction costs, the Fund's holding of un-invested cash, differences in timing of the accrual of or the valuation of dividends or interest, the requirements to maintain pass-through tax treatment, portfolio transactions carried out to minimize the distribution of capital gains to shareholders, changes to the Underlying Index or the costs to the Fund of complying with

various new or existing regulatory requirements. This risk may be heightened during times of increased market volatility or other unusual market conditions. Tracking error also results because the Fund incurs fees and expenses, while the Underlying Index does not. It may also be due to the inability of the FUND to not timely rebalance the portfolio after the index rebalancing.

**f) Government Regulation Risk**

Government policies or regulations are more prevalent in some securities and financial instruments than in others. Funds that invest in such securities may be affected due to change in these regulations or policies, which directly or indirectly affect the structure of the security and/or in extreme cases a governmental or court order could restrain payment of capital, principal or income.

**g) Price Risk**

The price risk is defined as when the value of the Fund, due to its holdings in such securities rises and falls as a result of change in interest rates.

**h) Liquidity Risk**

Liquidity risk is the possibility of deterioration in the price of a security in the Fund when it is offered for sale in the secondary market.

**i) Settlement Risk**

At times, the Fund may encounter settlement risk in purchasing / investing and maturing / selling its investments which may affect the Fund's performance etc.

**j) Events Risk**

There may be adjustments to the performance of the Fund due to events including but not limited to, natural calamities, market disruptions, mergers, nationalization, insolvency and changes in tax law.

**k) Investor Concentration Risk**

The Risk that the performance and liquidity of the Portfolio is adversely impacted due to a few large investors investing-in or redeeming from the fund over a short-time period. Factors contributing to such an adverse impact may include, but are not limited to, deviations in portfolio allocation, price impact of portfolio rebalancing, higher allocations in illiquid scripts etc.

**l) Distribution Taxation Risk**

Dividend distribution or Refund of Capital to investors is liable to tax as per Income Ordinance 2001. The distributions are uniform across all units; therefore, unit holders who invest in a fund before distribution of dividends may be liable to pay tax even though they may not have earned any gain on their investment.

**DISCLOSURE**

There may be times when a portion of the investment portfolio of the Scheme is not compliant either with the investment policy or the minimum investment criteria of the assigned 'category'. This non-compliance may be due to various reasons including, adverse market conditions, liquidity constraints or investment – specific issues. Investors are advised to study the latest Fund Manager Report specially portfolio composition and Financial Statements of the Scheme to determine what percentage of the assets of the Scheme, if any, is not in compliance with the minimum investment criteria of the assigned category. The latest monthly Fund Manager Report as per the format prescribed by Mutual Funds Association of Pakistan (MUFAP) and financial statements of the Scheme are available on the website of the Management Company and can be obtained by calling / writing to the Management Company



## **2.8. Disclaimer**

The Units of the Trust are not bank deposits and are neither issued by, insured by, obligations of, nor otherwise supported by SECP, any Government agency, the Trustee (except to the extent specifically stated in this document and the Deed) or any of the shareholders of the Management Company or any other bank or financial institution.

## **3. OPERATORS AND PRINCIPALS**

### **3.1. Management Company and Sponsors**

#### **3.1.1. JS Global Capital Limited – Management Company**

JS Global Capital Limited (“JS Global”) is one of Pakistan’s largest and oldest Brokerage and Investment Banking firm with a continued leadership position in the domestic capital markets

JS Global Capital Limited was incorporated as a private limited company on June 28, 2000. However, the Company commenced its operations in May 2003 and name of the Company was changed from JSCL Direct (Private) Limited to Jahangir Siddiqui Capital Markets (Private) Limited. Subsequently, the Company was converted into a public unquoted company and the holding company Jahangir Siddiqui and Company Limited (JSCL) offered its 25% shareholding to the general public for subscription in December 2004 and the Company obtained listing on Karachi Stock Exchange Limited and Islamabad Stock Exchange (Guarantee) Limited on February 7, 2005.

During 2006-07 the Company issued 10,009,700 shares to Global Investment House K.S.C.C Kuwait, ('Global'). The shares were issued to Global without offering right shares on the basis of a special resolution passed on July 11, 2006. Securities and Exchange Commission of Pakistan vide its letter No. EMD/CI/49/2006-458 dated July 19, 2006 gave its approval in principle to the scheme of the transaction.

During the year 2012, JS Bank Limited (the Bank), a subsidiary of JSCL, acquired 25,525,169 shares of the Company from JSCL and other shareholders against issuance of 185,321,537 shares in lieu thereof. As a result, the principal ownership of the Company was transferred to the Bank. Presently, the Company is a subsidiary of JS Bank Limited.

During the year 2015, three Stock Exchanges namely Karachi Stock Exchange, Lahore Stock Exchange and Islamabad Stock Exchange were integrated into Pakistan Stock Exchange (PSX). As a result, the Company is a Trading Right Entitlement (TRE) Certificate holder of Pakistan Stock Exchange besides being a member of Pakistan Mercantile Exchange.

The Company operates through Eight branches: Two in Karachi, while one each in Lahore, Islamabad, Hyderabad, Multan, Peshawar and Faisalabad besides head (registered) office based in Karachi.

The registered office of the Company is situated at The Center, 17th & 18th Floor, Plot No. 28, S.B.5, Abdullah Haroon Road, Karachi.

### 3.1.2. Founding Institutional Investor

The founding institutional investors were Jahangir Siddiqui & Co Limited. Presently, the Company is a subsidiary of JS Bank Limited.

#### JS Bank Limited

JS Bank Limited is the holding company of JS Global Capital Limited. Formed as a result of the merger and amalgamation of Jahangir Siddiqui Investment Bank Limited and commercial operations of American Express Bank Limited Pakistan, JS Bank commenced operations in Pakistan as a fully Scheduled Bank in December 2006. It is currently one of the fastest growing Commercial Banks in Pakistan with over 307 branches spreading over more than a 152 cities. JS Bank has been declared by State Bank of Pakistan as number one 'Primary Dealer of Government Securities' for two consecutive years.

JSBL is backed by Jahangir Siddiqui & Co Limited, which was the first Pakistani financial services company to boast a Wall Street pedigree as it was previously a joint venture with Bear Stearns and Co. (JSCL was previously named as Bear Stearns Jahangir Siddiqui Ltd.)

### 3.2. Board of Directors of the Management Company

S.No	Name & Address	Position	Other Directorships
1	Mr. Shahab Anwar Khawaja	Independent Director & Chairman of Board	N/A
2	Mr. Imtiaz Gadar	Chief Executive Officer	N/A
3	Mr. Maximilian Felix Scheder	Independent Director	N/A
4	Mr. Amin Muhammad Virani	Non-executive Director	N/A
5	Syed Jafar Raza	Non-executive Director	N/A
6	Mr. Fahad Viquar Siddiqui	Non-executive Director	N/A
7	Mr. Waqas Anis	Non-executive Director	N/A
8	Ms. Rabiya Javeri Agha	Non-executive Director	N/A

#### 3.2.1. Profile of Directors

##### (a) Mr. Shahab Anwar Khawaja – Independent Director & Chairman of Board

Mr. Shahab Khawaja served in the public sector for almost 36 years as a career Civil Servant of Pakistan Administrative Service (previously District Management Group) and held many key positions such as Federal Secretary of Privatization and Industries and Production, Additional Secretary Population Welfare, Joint Secretary Economic Affairs Division, CEO of Small and Medium Enterprises Development Authority (SMEDA) and held Director's position in various renowned companies.

He has extensive experience in field of social development particularly in legal matters, community mobilization and community development. He is also a Certified Director, under Listed Companies' requirements, as prescribed by SECP.

Earlier to above mentioned positions, Mr. Shahab Khawaja also remained Secretary to Department of Agriculture and Livestock and Dairy Development, Government of Punjab. After his retirement, he also held the positions of CEO, Competitiveness Support Fund (CSF), a joint Project of Ministry of Finance and USAID and as the Executive Director, Fertilizer Manufacturers of Pakistan Advisory Council (FMPAC). He has served on a number of Public Sector Organizations' Boards and has represented Government of Pakistan in multiple International Bodies and Seminars such as UNDP, UNFPA, UNIDO, ECOSOC APO etc. Currently, he also acts as Chairman of Lahore General Hospital.

The Academic and professional qualification of Mr. Shahab Khawaja includes MSc. in Chemistry, Post Graduate Diplomas in Development Administration from Birmingham University, UK and in Public Policy from University of Connecticut Hartford, USA.

**(b) Mr. Imtiaz Gadar, CFA – Chief Executive Officer**

Mr. Imtiaz Gadar has been associated with JS Global Capital Limited since December 2021 and has been leading the company as its Chief Executive Officer since October 2022. Mr. Gadar brings a rich experience of 20 years in local & international Brokerage / Investment Banking, Portfolio Management, Research and Investor Relations.

He has diversified experience based out of local / international broking and Equity Capital Markets at JP Morgan Pakistan and the local affiliate of Bank of America – Merrill Lynch, where he was recognized multiple times by Asia Money and CFA Society Pakistan as the Best Pakistan Analyst. As part of his ECM efforts, he has managed transactions worth over US\$1.8bn ranging from M&A, Buybacks, GDR Offerings, IPOs and SPOs, Rights Offerings and Tender Offers.

Prior to joining JS Global, he was associated with Bank Alfalah Limited for more than eight years as Head of Capital Markets, where he established and managed award-winning Public & Private Principal investment and Advisory businesses, being recognized for landmark Buy & Sell side M&A and Public Offerings on multiple occasions. Simultaneously, he assisted in leading the bank to being voted Best in Investor Relations by CFA Society Pakistan for eight years running in addition to being awarded the Best Equity Corporate Finance House (Banks).

Mr. Gadar is a Chartered Financial Analyst (CFA) and Masters in Business Administration (MBA) specializing in Finance from the Institute of Business Administration.

**(c) Mr. Maximilian Felix Scheder – Independent Director**

Mr. Scheder has 39-years of professional corporate and banking experience, including serving as board member, senior public-company executive and senior international investment banker. As a Chief Financial Officer, Mr. Scheder was responsible for leading implementation of corporate governance processes and overseeing public corporate filing and regulatory requirements. As a Chief Executive Officer and Board Member, Mr. Scheder has hands-on experience operating and advising on how to build and scale sustainable businesses. As a senior international investment banking executive, Mr. Scheder developed deep corporate and business development, mergers and acquisitions, finance, and fundraising skills.

Mr. Scheder currently serves as the independent board member of 500 Global (California, USA) and Board Member and Chief Financial Officer of Drover AI (Montana, USA). Mr. Scheder's previous roles included Founder and Chief Executive Officer of various start-ups, Managing Director of Deutsche Bank AG (Frankfurt, Germany), Managing Director of ING Barings/BHF-Bank (Frankfurt, Germany) and Associate Director of Bear Stearns & Co. (New York, USA). Mr. Scheder began his career with Peat Marwick & Mitchell (New York, USA).

Mr. Scheder earned a Bachelor's of Arts in Economics from Stanford University. He also attended Stanford Executive Program at the Stanford Graduate School of Business and New York University's accounting program.

**(d) Mr. Amin Muhammad Virani – Non-executive Director**

Mr. Amin Muhammad Virani is a seasoned professional with over 30 years of diversified work experience in Finance, Accountancy, Risk, Compliance, Strategic Planning, Audit & Internal Controls. He has served in various leadership roles with local and multinational financial institutes including United Bank Limited, Union National Bank (UAE), Bank Muscat, Mashreq Bank (UAE), Allied Bank Ltd and Price Waterhouse Coopers. He is a Chartered Accountant – Member of the Institute of Chartered Accountants of Pakistan. Amin has extensive banking industry exposure in delivering robust solutions at C-suite level, analyzing portfolio of opportunities, preparing financial information for external publications and communications to the capital markets. Amin is associated with JS Bank as Chief Financial Officer since September 2022.

**(e) Syed Jafar Raza – Non-executive Director**

Syed Jafar Raza is a finance professional, with over 2 decades of experience in the areas of Trade Finance, Corporate Relationship Management, Investment and Transaction Banking.

He holds a Master’s degree in Commerce and Business Administration from University of Karachi and Institute of Business Administration, respectively.

He is currently heading Investment, International and Transaction Banking Group at JS Bank.

He held various senior management roles with Bank Al-Habib and Askari Bank Limited where he also served as nominee director of the latter for its brokerage subsidiary.

**(f) Mr. Fahad Viqar Siddiqui – Non-executive Director**

Mr. Fahad Siddiqui is a career banker & has recently relocated back to Pakistan from Canada in 2020. During his career, Fahad has held senior management positions in various regions such as Asia, Middle East and North America while being associated with financial institutions such as, HSBC, Standard Chartered, Barclays Bank & Bank of Montreal.

Fahad brings deep & well-rounded experience with him in which he has successfully covered all spectrums of Consumer & Retail Banking, Wealth Management, Business & Digital Transformation, Change, Program & Project Management, Transaction Banking & Customer Experience.

He joined JS Bank Limited, Pakistan 18 months ago as Head of Products, he leads Secured & Un-Secured lending, Green & Social loans, ADC & Customer Propositions which includes Wealth management, Employee Banking along with Retail deposit products. He is also a member of JS Bank’s “Extended Leadership team”. Fahad Siddiqui holds an MBA from University of Middlesex, UK & is also a Certified Change Management Professional (CCMP) designation holder. His passion & focus in transforming businesses led him towards becoming a Global PROSCI “CERTIFIED” Change practitioner. His extensive experience allows him as a right fit for this role.

**(g) Mr. Waqas Anis – Executive Director**

Mr. Waqas Anis is a career banker and a digital enthusiast currently serving as the Chief Digital Officer at JS Bank Limited, where he previously served as the Head of Digital Transformation & International Business. Waqas has over 20 years of professional experience in various local and multinational organizations such as ABN AMRO Bank N.V., Faysal Bank, The Bank of Punjab, and Atlas Bank. He has also worked extensively in the tech implementation business with Inbox Consulting Pvt. Ltd.

Waqas has been leading Digital Banking at various Financial Institutions with a dynamic experience in payment systems, G2P / P2G payments, consulting, IT, ADC, CRM, and Financial Sector Digitization. He has led various large-scale automation programs in the banking industry including Organizational Integration, Financial Service Solutions, Digital Onboarding, Business Process Re-engineering, Alternative Distribution - E-Banking, Core Banking Migrations, and various CRM initiatives.

Waqas holds a Master’s degree in Business Administration from Institute of Business Management Karachi, and graduated in Software Engineering from Bahria University, Islamabad.

**(h) Ms. Rabiya Javeri Agha – Non-Executive Director**

Rabiya Javeri Agha has been one of senior most bureaucrats in the Government of Pakistan and has spent 37 years in public service. She was the first female President of the Pakistan Administrative Service Association, the largest federal association of civil servants in the country. She is a graduate from Mount Holyoke College, USA and the Blavatnik School of Government, University of Oxford. Rabiya was conferred an honorary Doctorate in Law from her alma mater MHC for her work on women and vulnerable groups.

As Secretary, Ministry of Human Rights, she was instrumental in the drafting of 18 human rights-based legislations; including the very progressive Transgender Act 2018. Ms. Javeri also helped draft Pakistan's first and only Child Marriage Restraint Act, which outlawed the practice of early age marriages for young girls in Sindh.

She has recently taken charge as Chairperson National Commission for Human Rights (NCHR), and was unanimously selected by all three political parties of the Parliamentary committee. Under her leadership NCHR held nation-wide consultations to develop a 3-year strategic plan. The strategic plan identifies five core functions of the Commission: Complaint Redressal, Legal Watchdog, Knowledge Production, Awareness/Advocacy and Policy Advisor.

In the last ten months, the Chairperson has spearheaded the work on the core functions. The achievements include the enactment of Torture and Custodial Death (Prevention and Punishment) Act, adoption of the enforced disappearances bill and the bill to decriminalize suicide. In addition, NCHR's report on Minority rights has been applauded in the UK's House of Lords while the President of Pakistan has launched an action plan on mental health based on the NCHR's Mental Health report. The Commission has resolved 2613 complaints of Human Rights abuses across the country and taken 116 suo moto actions on Human Right violations.

She has also actively advocated and raised awareness on various Human Rights issues ranging from juvenile justice to prison reforms, journalist protection and minority rights. The credibility of the Commission has been amplified under her guidance with the government and judiciary seeking the Commission's help in critical inquiries.

### **3.3. Profile of the Management**

#### **a) Mr. Imtiaz Gadar, CFA (Chief Executive Officer)**

Same as above

#### **b) Ms. Amreen Soorani, FCCA (Head of Research)**

Ms. Amreen Soorani is an equity market specialist with over 12 years of well-rounded experience in research, committed to long-term investing. She has an experience of 3 years with one of the largest asset management companies in Pakistan, where she has also been an active member of their Investment Committee. She has a diversified experience of actively covering around 10 sectors from the financials, energy chain and cyclical segments. She has been with JSGCL for the past 8 years where she is responsible for research on Pakistan's macros and Equity Strategy calls. She also maintains the largest research coverage of the Banking sector in the country, making for more than 85% of the sector's market capitalization.

Amreen has also served as either a Grader or Mentor in the CFA Institute Research Challenge in Pakistan for the past six consecutive years. She is a Fellow ACCA Member and has also completed Level I of the CFA exam.

## **4. ROLE AND RESPONSIBILITIES OF THE MANAGEMENT COMPANY**

The Management Company shall manage, operate and administer the Scheme, in accordance with the Rules, Regulations directives, circulars and guidelines issued by SECP and Trust Deed and the Offering Document.

### **4.1. Administration of the Scheme**

The Management Company shall administer the Scheme in accordance with the Rules, the Regulations, the Deed and this Offering Document and the conditions (if any), which may be imposed by the Commission from time to time.

#### **4.1.1. Management of Fund Property**

The Management Company shall constitute the Index and manage the Fund Property in the interest of the Unit Holders in good faith, to the best of its ability and without gaining any undue advantage for itself or any of its Connected Persons and group companies or its officers, and subject to the restrictions and limitations as provided in the Deed and the Rules and Regulations. Any purchase or sale of investments made under any of the provisions of the Deed shall be made by the Trustee according to the instructions of the Management Company in this respect, unless such instructions are in conflict with the provisions of the Deed or the Rules and Regulations. The Management Company shall not be liable for any loss caused to the Trust or to the value of the Fund Property due to elements or circumstances beyond its reasonable control. The Management Company may outsource some of its functions.

The Management Company shall comply with the provisions of the Regulations, the Deed and this Offering Document of the Scheme for any act or matter to be done by it in the performance of its duties and such acts or matters may also be performed on behalf of the Management Company by any officer(s) or responsible official(s) of the Management Company or by any nominee or agent appointed by the Management Company and any act or matter so performed shall be deemed for all the purposes of the Deed to be the act of the Management Company. The Management Company shall be responsible for the acts and omissions of all persons to whom it may delegate any of its functions, as if these were its own acts and omissions and shall account to the Trustee for any loss in value of the Trust Property where such loss has been caused by willful act and / or omission or of its officers, officials or agents.

#### **4.1.2. Maintenance of Accounts and Records**

The Management Company shall maintain at its principal office, complete and proper accounts and records to enable a complete and accurate view to be formed of the assets and liabilities and the income and expenditure of the Scheme, all transactions for the account of the Scheme, portfolio received by the Scheme in respect of issuance of Units, portfolio transfer from the Scheme on redemption of the Units. The Management Company shall maintain the books of accounts and other records of the Scheme for a period of not less than ten years.

The Management Company shall clearly specify Cut-Off Timings (for acceptance of application forms of issuance, and redemption of Units of the Scheme) in this Offering Document, on its website and at designated points.

#### **4.2. Maintenance of Unit Holders Register**

- 4.2.1 A Register of Unit Holders will be maintained by CDC Share Registrar Limited.
- 4.2.2 The office of the Transfer Agent is located at CDC House, 99-B, Block "B", S.M.C.H.S, Shakra-e-Faisal, Karachi.
- 4.2.3 Only authorized participants are required to transact with the FUND, all other investor can buy and sell ETF in the secondary market. Accordingly, all details of ETF unit holders will be available with CDC Share registrar Limited.
- 4.2.4 Other Responsibilities of the Management Company
  - The Management Company is responsible for daily NAV and for producing financial reports from time to time, however Management Company may outsource the calculation and dissemination of INAV to PSX through an agreement. The Management Company shall provide the Trustee unhindered access to all records relating to the Scheme.
  - The Management Company may from time to time, with the consent of the Trustee, frame procedures for conducting the business of the Trust or in respect of any other matter incidental thereto; provided that such procedures are not inconsistent with the provisions of the Rules and the Regulations, any directives, circulars and guidelines issued by SECP and the Deed.

- The Management Company shall constitute the Index of the Fund as per methodology given above. Once the methodology is finalized, PSX will be responsible for the maintenance, determination and dissemination of the index.
- The Management Company shall endeavor to maintain the Tracking Error at minimum level as specified in Offering Document.
- The Management Company shall be responsible to facilitate investments and disinvestments by investors in the Scheme and to make adequate arrangements for receiving and processing request in this regard.
- The Management Company shall not be under any liability except such liability as may be expressly assumed by it under the Rules, Regulations, the Deed and the Offering Documents, nor shall the Management Company (save as herein otherwise provided) be liable for any act or omission of the Trustee nor for anything except for its own gross negligence or willful breach of duty and the acts and omissions of all persons to whom it may delegate any of its functions as manager as if they were its own acts and omissions. If for any reason it becomes impossible or impracticable to carry out the provisions of the Deed and the Offering Document, the Management Company shall not be under any liability thereof or thereby and it shall not incur any liability by reason of any error of law or any matter or thing done or suffered or omitted to be done in good faith hereunder.
- The Management Company shall nominate and notify to the Trustee one or more of its officer(s) to act as authorized persons for interacting with and giving instructions to the Trustee. Any instruction or notice given by such authorized persons shall be deemed to be the instruction or notice given by the Management Company. Any change in such authorized persons shall promptly be notified to the Trustee.
- The Management Company shall, from time to time, advise the Trustee of any settlement instructions relating to any transactions, including issuance of Creation Unit in exchange of Portfolio securities and cash (if any), entered into by it on behalf of the Trust. The Management Company shall ensure that settlement instructions are given promptly after entering into the transaction so as to facilitate timely settlement. The Management Company shall ensure that all the requests for dealing in Creation Units, duly time and date stamped as specified in the Offering Documents.
- The Management Company shall designate and disclose the location of its official points for acceptance of applications for issuance / conversion of Creation units in the Offering Document of the Scheme and on its website.
- The Management Company shall provide the Trustee with regular reports indicating profit and other forms of income or inflows, relating to the investments that are due to be received.
- The Management Company may, if it considers necessary for the protection of Trust Property or safeguarding the interest of the Unit Holders, request the Trustee to institute or defend any suit, proceeding, arbitration or inquiry or any corporate or shareholders' action in respect of the Trust Property or any part thereof at the cost of the Fund.
- The Management Company shall appoint eligible institutional investors as Authorized Participants for creation and redemption in kind units from the Fund under the Authorized Participant Agreement to be signed among the Management Company, Trustee and Authorized Participant.
- The Management Company shall ensure that entry and exit to the Scheme (including redemption and issuance of Creation Units to Authorized Participants) shall be allowed only in the form of Portfolio Deposits and Cash Component, as may be the case.
- The Management Company may, from time to time appoint, remove or replace one or more Authorized Participants, on terms and conditions to be incorporated in the Agreement(s) to be entered into among the Authorized Participant(s), Trustee and the Management Company. The names and credentials of the Authorized Participants shall be disclosed in this Document and/or at PSX and Management Company website.

- The Management Company shall disclose the names and credentials of the Market Makers in the Offering Document and their website, who perform Market Making activities under Market Making Regulation of PSX.
- The Management Company may delegate to a third party any of its functions except core functions which include investment decision making, risk management and compliance functions. However, the Management Company shall be fully responsible for such functions of third party. The cost incurred in relation to such functions will be borne by the Management Company.
- The Management Company shall establish and maintain sufficient risk management systems and controls to enable it to identify, assess, mitigate, control and monitor risks in the best interest of the Unit Holders of the Scheme.
- The Management Company shall announce the Net Asset Value (NAV) of the Scheme within such time period and at such frequency as prescribed by SECP from time to time and shall disclose such time period and frequency in the Offering Document. However, PSX will calculate and discriminate the INAV of the Fund as described below.
- While the transactions with Authorized participants will be in Kind as explained above, there may be situations where the management company may have to buy and sell Shares directly at the market. Such situations include rebalancing of index, reconstitution of index, and utilization of excess cash component.

#### **Disclaimer**

The Management Company shall not be under any liability except such liability as may be expressly assumed by it under the Rules, Regulations and the Constitutive Documents, nor shall the Management Company (save as herein otherwise provided) be liable for any act or omission of the Trustee nor for anything except for its own gross negligence or willful breach of duty and the acts and omissions of all persons to whom it may delegate any of its functions as manager as if they were its own acts and omissions. If for any reason it becomes impossible or impracticable to carry out the provisions of the Constitutive Documents, the Management Company shall not be under any liability therefore or thereby and it shall not incur any liability by reason of any error of law or any matter or thing done or suffered or omitted to be done in good faith hereunder.

#### **4.3. Role of the Trustee**

- 4.3.1 The trustee shall perform its role as specified in the Rules, Regulation and directives issued there under, the Deed and the Offering Document.
- 4.3.2 The Trustee shall nominate one or more of its officers to act as authorized persons for performing the Trustee's functions and for interacting with the Management Company. Any change in such authorized persons shall be promptly notified to the Management Company.
- 4.3.3 The Trustee shall under prior intimation to the Management Company appoint, remove or replace from time to time one or more bank(s) and/or other depository company(ies) etc. to act as the Custodian(s) for holding and protecting the Trust Property and every part thereof and for generally performing the custodial services at one or more locations and on such terms as the Trustee and the Management Company may mutually agree and to be incorporated in custodial services agreement(s) to be entered into between the Trustee and the Custodian(s), except where the Trustee itself is acting as a Custodian.
- 4.3.4 The Trustee shall be responsible for the acts and omissions of all persons to whom it may delegate any of its duties, as if these were its own acts and omissions and shall account to the Trust for any loss in value of the Trust Property where such loss has been caused by gross negligence or any reckless act or omission of the Trustee or any of its directors, officers, nominees or agents.



- 4.3.5 The Trustee shall exercise all due diligence and vigilance in carrying out its duties and in protecting the interests of the Unit Holder(s). The Trustee shall not be under any liability on account of anything done or suffered by the Trust, if the Trustee had acted in good faith in performance of its duties under the Trust Deed or in accordance with or pursuant to any request of the Management Company provided it is not in conflict with the provisions of the Trust Deed or the Rules and Regulations. Whenever pursuant to any provision of the Trust Deed, any instruction, certificate, notice, direction or other communication is required to be given by the Management Company, the Trustee may accept as sufficient evidence thereof:
- (a) a document signed or purporting to be signed on behalf of the Management Company by any authorized representative(s) whose signature the Trustee is for the time being authorized in writing by the Management Company to accept; and
  - (b) any instructions received online through the software solution adopted by the Management Company/Trustee in consultation with each other shall be deemed to be instructions from the authorized representative(s).
- 4.3.6 The Trustee shall not be liable for any loss caused to the Fund or to the value of the Trust Property due to any elements or circumstances of Force Majeure.
- 4.3.7 In the event of any loss caused due to any gross negligence or willful act and/or omission, the Trustee shall have an obligation to replace the lost investment forthwith with similar investment of the same class and issue together with all rights and privileges pertaining thereto or compensate the Trust to the extent of such loss. However, the trustee shall not be under any liability thereof or thereby and it shall not incur any liability by reason of any error of law or any matter or thing done or suffered or omitted to be done in good faith hereunder.
- 4.3.8 The Trustee shall make available or ensure that there is made available to the Management Company such information as the Management Company may reasonably require from time to time in respect of the Trust Property and all other matters relating to the Trust.
- 4.3.9 The Trustee shall, if requested by Management Company or if it considers necessary for the protection of Trust Property or safeguarding the interest of Unit Holder(s), institute or defend any suit, proceeding, arbitration or inquiry or any corporate or shareholders' action in respect of the Trust Property or any part thereof, with full powers to sign, swear, verify and submit pleadings and affidavits, to file documents, to give evidence, to appoint and remove counsel and to do all incidental acts, things and deeds through the Trustee's authorized director(s) and officer(s). All costs, charges and expenses (including legal fees) incurred in instituting or defending any such action shall be borne by the Trust and the Trustee shall be indemnified against all such costs, charges and expenses: Provided that no such indemnity shall be available in respect of any action taken against the Trustee for gross negligence or breach of its duties in connection with the Trust under this Deed or the Rules and Regulations. For the avoidance of doubt it is clarified that notwithstanding anything contained in this Deed, the Trustee and the Management Company shall not be liable in respect of any losses, claims, damages or other liabilities whatsoever suffered or incurred by the Trust arising from or consequent to any such suit, proceeding, arbitration or inquiry or corporate or shareholders' action or otherwise howsoever and (save as herein otherwise provided) all such losses, claims, damages and other liabilities shall be borne by the Trust.
- 4.3.10 The Trustee shall not be under any liability except such liability as may be expressly assumed by it under the Rules and Regulations and the Trust Deed nor shall the Trustee be liable for any act or omission of the Management Company nor for anything except for loss caused due to its willful acts or omissions or gross negligence or that of its agents in relation to any custody of the Trust Property forming part of the Deposited Property. If for any reason it becomes impossible or impracticable to carry out the provisions of the Deed, the Trustee shall not be under any liability thereof or thereby and it shall not incur any liability by reason of any error of law or any matter or thing done or suffered or omitted to be done in good faith hereunder.

- 4.3.11 The Trustee shall promptly forward to the Management Company within one Business Day 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 exchange or any other exchange.
- 4.3.12 The Trustee shall ensure that Creation Units are not issued until the payment (portfolio deposit and cash component) has been received and upon completion of transfer of title of the Portfolio Deposit and Cash Component in the name of the Fund.
- 4.3.13 The Trustee shall issue or redeem Creation Units only upon the instructions of the Management Company, subject to compliance with the procedures specified in the Rules, the Regulations, the Authorized Participant Agreement and the Constitutive Documents.
- 4.3.14 The Trustee shall ensure that issuance and redemption of Creation Units is done on Historic price basis and any transfer of underlying securities into and out of the Fund is also based on the valuation used in determining the Fund's NAV. In situation such as rebalancing, reconstitution or due to any other reason as determined appropriate by the management company, creation and redemption may be processed on a forward NAV as determined and announced by the management company with the prior intimation to the trustee.

#### **Disclaimer**

The Trustee shall not be under any liability except such liability as may be expressly assumed by it under the Rules and Regulations and the Deed nor shall the Trustee be liable for any act or omission of the Management Company nor for anything except for loss caused due to its willful acts or omissions or that of its agents in relation to any custody of assets of investments forming part of the Trust Property. If for any reason it becomes impossible or impracticable to carry out the provisions of the Deed, the Trustee shall not be under any liability therefore or thereby and it shall not incur any liability by reason of any error of law or any matter or thing done or suffered or omitted to be done in good faith hereunder.

#### **4.4. Role of Authorized Participants**

Authorized participant is bound to perform its functions and duties as specified in the Authorized Participant Agreement and change therein from time to time signed between Management Company, Trustee and Authorized Participant. Management Company has initially decided to act as the Authorized participant of the Fund on a non-exclusive basis. Other Authorized participants may be appointed in future. Details of such participants will be available at the website of the management company

Authorized Participants are authorized under the agreement to create and to redeem Creation Units in Creation Unit size or multiples thereof, directly with the Fund. The Management Company may authorize any brokerage house or any eligible Institutional Investor as Authorized Participant. The Authorized Participants shall have sufficient resources and capabilities to satisfactory fulfill their roles and obligations and comply with the SECP Requirements. For avoidance of doubt, it is clarified that the Creation Units shall be issued only by the Management Company and neither the Authorized Participants nor any other person shall be empowered to issue Creation Units.

The Authorized Participant shall, at all time, comply with the applicable regulatory and contractual obligations as specified in the Authorized Participant Agreement duly signed between Management Company, AP and Trustee.

The Authorized Participant(s) shall, effectively make arrangements either through Broker or Market Maker to market the Units in smaller lots through Exchanges to attract the general investors by putting bid and offer prices on KATS, fully abiding by the Exchange Regulations.

**Market Maker, who may be an Authorized Participant, shall maintain a sufficient inventory (as may be considered reasonable) for market making activities subject to the requirements stipulated in its agreement with the Exchange.**

#### **4.5. Role of Market Maker**

Role and responsibilities of the Market Maker shall be governed by the Market Maker Regulation of the PSX and through Market Maker Agreement signed between PSX and Market Maker.

PSX has appointed **JS Global Capital Limited** as a non-exclusive authorized Market Maker, who will perform their functions in accordance with the terms and conditions specified in the Market Maker Agreement and/or Market Making Regulations of the Exchange. The Market Maker may withdraw his bid and offer price in the secondary market for any period of time in a circumstances specified in the Market Maker Regulations and /or Market Maker Agreement in situation when there is extreme volatility in the stock market where units are being traded, circuit breakers in any of the scrip of the Fund or for any other reason where Market Maker believes that trading in ETF Units would be against the interest of the Fund or its Units Holders. Management Company does not control or govern market maker as this function is governed by PSX Rule Book based on the agreement between PSX and Market Maker.

The Market Maker shall quote prices during Designated Market Making Period as mentioned in the Market Maker Agreement and/or Market Making Regulation of the Pakistan Stock Exchange.

The Market Maker shall be obliged to make available both buy and sell orders or quotes during the Designated Market Making Period as specified in the market making agreement.

The Market Maker shall be obliged to replenish its orders or quotes within time specified in the Market Maker Agreement, subsequent to execution of already queued orders/quotes, within the Designated Market Making Period as specified in the market making agreement.

The Market Maker shall keep its market making activities separate from other trading activities as governed by the Market Maker Regulation. For this purpose, the Market Marker shall:

- Register separate Trading code(s) for market making activities;
- Maintain separate ledger account(s) for recording trades pertaining to Market Making activities; including detail records of Blank sale of JSGBETF and
- Ensure that any of its authorized agent(s)/trader(s) for market making activities shall not indulge in normal trading activities during Designated Market Making Period.

#### **4.6. Transfer Agent**

The Management Company has outsourced the transfer agent function to **CDC Share Registrar Limited** who will be responsible for maintaining the unit holders register, preparing and issuing account statements, unit certificates and dividend warrants/advice and providing related services to the Unit Holders.

#### **4.7. Trustee/Custodian**

**Central Depository Company of Pakistan Limited (CDC) Trustee**, with offices at “**CDC House 99-B, Block ‘B’ S.M.C.H.S Main Shakra-e-Faisal, Karachi**”, will also be performing the functions of the custodian of the Trust Property. The salient features of the custodial function are:

- Segregating all property of the Fund from Custodian’s own property and that of its other clients.
- Assuring the smooth inflow/outflow of dematerialized securities and such other instruments as required.
- Ensuring that the benefits due on investments are received and credited to the Fund

The Trustee may, in consultation with the Management Company, from time to time, appoint, remove or replace one or more Custodian(s) for performing the Custodian Function at one or more locations, on terms and conditions to be agreed between the Custodian and the Trustee and agreed by the Management Company for the safe keeping of any portion of the Trust Property.

#### 4.8. Market Maker

Currently JS Global Capital Limited is the Market Maker of the Fund. In future, the Market Maker may change, or additional Market Makers may be appointed/assigned for the Fund without making any changes to this Offering Document.

#### 4.9. Authorized Participant

Currently JS Global Capital Limited is the Authorized Participant of the Fund. In future, the Authorized Participant may change, or additional Authorized Participants may be appointed/assigned for the Fund without making any changes to this Offering Document.

#### 4.10. Auditors

Grant Thornton

**Registered Office:**

1st and 3rd Floor, Modern Motors House, Beaumont Road, Karachi

- i. They will hold office until the transmission of the reports and accounts, which will cover the period from commencement of the Trust up to the end of the Accounting Period and will, afterwards, be eligible for reappointment by the Management Company with the concurrence of the Trustee. However, an auditor may be reappointed for such terms as stipulated by the Regulations and/or the Ordinance, as amended from time to time. The appointment of Auditor and contents of the Auditor's report shall be in accordance with the provisions of the Rules and Regulations.
- ii. The Auditors shall have access to the books, papers, accounts and vouchers of the Trust, whether kept at the office of the Management Company, Trustee, Custodian, Transfer Agent or elsewhere and shall be entitled to require from the Management Company, Trustee and their Directors, Officers and Agents such information and explanations as considered necessary for the performance of audit.
- iii. The Trustee shall be entitled to require the Auditors to provide such further reports as may be agreed between the Trustee and the Management Company as may be considered necessary to facilitate the Trustee in issuing the certification required under the Regulations.
- iv. The Auditors shall prepare a written report to the Unit Holders on the accounts and books of accounts of the Trust and the balance sheet, profit and loss account, cash flow statement and statement of movement in Unit Holders' Funds and on every other document forming part of the balance sheet and profit and loss account, including notes, statements or schedules appended thereto.
- v. The contents of the Auditors report shall be as mentioned in the Regulations.

#### 4.11. Legal Advisors

Bawaney and Partners

**Registered Office:**

3rd and 4th Floor, Plot 68-C, Lane 13, Bukhari Commercial Area, DHA Phase VI, Karachi

#### 4.12. Bank Accounts

- (a) The Trustee, at the request of the Management Company, shall open Bank Account(s) titled "**CDC Trustee – JS Global Banking Sector Exchange Traded Fund**" for the Unit Trust at designated Bank(s) inside or outside Pakistan, subject to the relevant laws, Trust Deed, Rules and Regulations, for collection, investment, redemption or any other use of the Trust's Funds.
- (b) The Management Company may also require the Trustee to open Bank Account(s) as Distribution Account(s) for dividend distribution out of the Unit Trust. Notwithstanding anything in the Deed, the beneficial ownership of the balances in the Accounts shall vest in the Unit Holders.

- (c) All bank charges for opening and maintaining Bank Accounts for the Trust shall be charged to the Fund.
- (d) All income, profit etc. earned in the Distribution Account(s), including those accruing on unclaimed dividends, shall form part of the Trust Property for the benefit of the Unit Holders and shall be transferred periodically from the Distribution Account(s) to the main Bank Account of the Trust.

#### **4.13. Minimum Fund Size**

Minimum Fund size and provisions relating to maintenance of minimum Fund size and other conditions as specified under Clause 54 (3A) of NBFC Regulations would not apply to this Fund.

### **5. CHARACTERISTICS OF UNITS**

#### **5.1. Units**

All Units thereof represent an undivided share in the Fund and rank pari passu as to their rights in the net assets, earnings, and the receipt of the dividends and distributions. Each Unit Holder has a beneficial interest in the Fund proportionate to the Units held by such Unit Holder.

The Fund is divided into creation unit lot size of **10,000 units** having a Face Value of Rs. 10/- each unit/share. During initial offer which may be a pre-IPO and or IPO, Management Company may invest or arrange to invest from an investor in cash or against portfolio deposit as determined by the management company. Such investor may not necessarily be the Authorized Participant.

#### **5.2. Creation and Redemption of Units**

Shares of the Fund may be acquired or redeemed directly from the Fund only in Creation Units or multiples thereof, as discussed in the Creations and Redemptions section of this document. Only an Authorized Participant may engage in creation or redemption transactions directly with the Fund.

**Purchase and sale of shares in Secondary Market:** Once created, units of the Fund generally trade in the secondary market in multiples of Marketable lot size which will be less than a Creation Unit lot size similar to the trading of shares of the Listed Companies. Units of the Fund are listed on a Pakistan Stock Exchange for trading. Units can be bought and sold throughout the trading day like shares of other publicly-traded companies. The Trust does not impose any minimum investment for units of the Fund purchased on an exchange or otherwise in the Secondary market. **However the Exchange may impose a minimum lot size for transactions in ETF.**

Authorized Participant can purchase the Units at the Offer Price and redeemed at the Redemption Price at any of the Authorized Distribution Offices during Business Hours on any Dealing Day in accordance with the procedure set out in this Offering Document and the AP agreement.

During the period the register is closed, the sale and redemption of Units will not be suspended.

Management Company will be responsible to complete KYC/AML/EDD etc. for authorized participants only. Accordingly, conditions mentioned under Securities and Exchange Commission of Pakistan (Anti Money Laundering and Countering Financing of Terrorism) Regulations, 2018 (as amended time to time) and any other rules and regulations shall not apply to management company for unit holders who have bought/sold/transacted in the units of the Fund in secondary market since the management company has no control on such transactions.

##### **5.2.1. Account Opening Procedure**

The units shall only be issued in Depository Account in dematerialized form therefore account opening with Management Company is not required. However, Authorized Participant before requesting for creation units open CDS account either with broker or IAS or in his own account maintained as CDS Participant. While opening in CDS account, the investor shall follow the procedure as specified by the Central Depository Company in its Regulation.

## 5.2.2. Creation of Units

- (a) After opening an account an Authorized Participant may purchase Units of Fund using the Unit Creation Application Form. Cash component must also accompany the form.
- (b) Application for Purchase of Units shall be made by completing the prescribed Investment Application Form along with “CDS securities movement Report” and submitting it to the Management Company together with the payment by cheque, bank draft, pay order or online transfer as the case may be in favor of Trustee Bank Account and crossed “Account Payee only” in favor of “**CDC Trustee – JS Global Banking Sector Exchange Traded Fund**” The Management Company may also notify, from time to time, arrangements or other forms of payment within such limits and restrictions considered fit by it with the prior approval of Commission.
- (c) Applicants must indicate their valid CDS account number in the Investment Application Form.
- (d) The Management Company will make arrangements, from time to time, for receiving Investment Request Forms and payments from outside Pakistan and will disclose these arrangements through its website and its Distributors and agents outside Pakistan.

## 5.2.3. Minimum Amount of Investment

### 5.2.3.1 For In-Kind Creation of units:

Units shall be issued to the Authorized Participant by the Management Company as per Clause 5.2 with a minimum investment size of **10,000** creation units with face value of PKR 10 each or multiples thereof. The Management Company reserves the right to alter the minimum amounts stated here in above.

### 5.2.3.2 For investment in Secondary Market

Purchase and sale of units in the secondary market shall be subject to minimum lot size as defined by PSX

## 5.2.4. Determination of Purchase Price on Creation

- (a) Units shall be offered initially at Rs.10 and thereafter at offer price declared by the Management Company from time to time for Dealing Days during the period when the Fund is open for subscription.
- (b) The Purchase (Offer) Price shall be equal to the sum of:
  - (i) The Net Asset Value (NAV) as of the close of the previous Business Day (Historical pricing);
  - (ii) Such amount as the Management Company may consider an appropriate provision for Duties and Charges; and
  - (iii) such sum shall be adjusted upward to the nearest paisa.
- (c) The Purchase (Offer) Price open for subscription, shall be calculated and announced by the Management on a daily basis and be made available to the public at the office and branches of the Distributors and will also be published daily on the Management Company’s and MUFAP’s website.

## 5.2.5. Pricing and Dealing

### Determination of Net Asset Value.

The NAV of the Fund normally is determined once daily Monday through Friday, generally as of the regularly scheduled close of business of the Fund (normally 4:00p.m., Pakistan Standard time) on each day that the Fund is open for trading, based on the closing price of securities of PSX.

The NAV of the Fund is calculated by dividing the value of the net assets of the Fund (i.e., the value of its total assets less total liabilities) by the total number of outstanding units of the Fund, generally rounded to two decimal place. The value of the securities and other assets and liabilities held by the Fund are determined

pursuant to valuation policies and procedures adopted by the Management Company subject to the condition specified in the NBFC Regulation or any other law for the time being enforced. This information, along with other relevant information including Outstanding units of the Fund shall be available on the website of the Management Company.

#### **Units Prices and dissemination of INAV.**

The trading prices of the Fund's shares in the secondary market may differ from the Fund's daily NAV and are affected by market forces such as the supply of and demand for ETF shares and shares of underlying securities held by the Fund, economic conditions and other factors. Trading price of the ETF shall be available in real-time on the trading platform of the PSX. Information regarding the intraday value of shares of the Fund, also known as the "indicative Net Assets Value" ("INAV"), is calculated and disseminated every **15 seconds** throughout each trading day by the PSX, the Exchange on which the Fund's units are listed. The INAV is based on the current market value of the securities or other assets and/or cash required to be deposited in exchange for a Creation Unit. The INAV does not necessarily reflect the precise composition of the current portfolio of securities or other assets held by the Fund at a particular point in time or the best possible valuation of the current portfolio. Therefore, the INAV should not be viewed as a "real-time" update of the Fund's NAV, which is computed only once a day on the basis of historical price (last day closing price).

The NAV/INAV thus published shall include the cash component including any accumulated dividends in-line with the calculation policy described in Determination of Net Asset Value above. It may be noted that the methodology of calculation of NAV/INAV is the same.

The Management Company delegates its responsibility of determination of INAV to the Pakistan Stock Exchange. The Pakistan Stock Exchange shall carry out determination of the INAV per Unit on a current basis, within a Business Day as deemed necessary by the Management Company and as specified in the Offering Document. The Pakistan Stock Exchange shall ensure that INAV is disseminated to the Stock Exchange terminal at regular interval and shared with the Management Company to be displayed on the website of the management company.

The Management Company ensure that the INAV per Unit is calculated on the basis of a process and criteria which is consistently applied by the Management Company or the third-party to whom this function is delegated to ensure that the valuations are objective and independently verifiable.

SECP has clarified that responsibility of the management company relating to INAV shall not be applicable due to circumstances beyond its control such as force majeure, failure or malfunctioning of hardware/software despite the best effort by management company or the third party to which such function is delegated and virus or cyber-attack despite the fact that antivirus and other reasonable measures were in place by the management company or the third party to whom such function is delegated. Currently such function is outsourced to PSX. The clarification absolves Management Company from all liabilities.

INAV may be suspended in certain situations such as rebalancing and reconstitution. In cases INAV is suspended, a notice to such effect shall be sent to the exchange for the information of all investors.

#### **5.2.6. Creation Procedure**

The Authorized Participants can directly create Units with the Fund in Creation Unit Size as follows:

The Fund creates Units in large blocks known as "Creation Units". The size of the Creation Units and multiples thereof shall be stated in this Document. The value of the "Creation Unit" is the basket of underlying Benchmark Index securities called as the "Portfolio Deposit" and a "Cash Component" which will be exchanged for a fixed number of Units to be issued by the Management Company. The Portfolio Deposit and Cash Component may change from time to time and will be announced through its website. The Management Company may change Creation Unit Size after obtaining prior approval of the Trustee and the Commission. Any such change shall be intimated to the pertinent Stock Exchange within three (3) Business Days prior to the date of such change.

Authorized participants may create units on its own behalf or on the behalf of its clients.

### **5.2.7. Redemption Procedure for In-Kind Redemption**

Request for Redemption of Units shall be made by completing the prescribed redemption form along with “CDS Delivery-out Report” and the same is received at the Authorized Branch or office of the Distributor on a Dealing Day during the Business Hours as may be announced by the Management Company from time to time. The Distributor may retain a copy of the Redemption Form and a copy may also be supplied to the Registrar, if so required by the Management Company.

The requisite Units of the Fund equaling the Creation Unit size or multiples thereof shall be transferred to the Fund's Depository Account and the Cash Component shall be paid to the Trustee through bank transfer in the Bank Account titled as “**CDC Trustee – JS Global Banking Sector Exchange Traded Fund**”. On confirmation of the same by the Trustee, Portfolio Deposit will be transferred to the CDC account of the Authorized Participant.

The redemption request can be submitted by Authorized Participants through physical or electronic form at authorized branches and office of Management Company as specified in this Document.

Management Company may request the Authorized participant to place advance money in Fund account to incorporate the cash component.

Authorized Participant may redeem units on its own behalf or on the behalf of its clients.

### **Determination of Redemption (Repurchase) Price**

Investors can sell the Units of ETF at market prices at any Exchange on which Fund is listed, which may be above or below actual NAV of the Scheme. Only the Authorized Participants can directly redeem Units with the Fund in Creation Unit Size or multiples thereof. The Units shall be redeemed on all Business Days. Units can be redeemed on in-kind basis in proportion to the quantities of securities represented in the benchmark index including any cash component calculated on the basis of NAV determined on the Business Day prior to the day of receipt of the duly completed redemption Application Form.

The Management Company at the time of announcing the NAV of the Fund, would also announce the composition of Portfolio Deposit and the Cash Component required to be exchanged against redemption of Units.

In situation where Management Company has decided to apply forward NAV to creation and redemption, all such requests will be processed using forward NAV.

## **5.3. Procedure for Requesting Change in Unit Holder Particulars**

Where the Unit Holder desires to change Unit Holder details pertinent to their respective CDS account then request should be made to Broker Participant or the Investor Account Service (IAS) with which the account is maintained, according to the procedure laid down in CDCPL Regulations.

### **5.3.1. Transfer, Nomination and Transmission**

Where the Unit Holder desires to Transfer of units to any other Unit holder either through Gift or through NDM market of the PSX. The request of such Transfers shall be made to Broker Participant or the Investor Account Service (IAS) with which the account is maintained, according to the procedure laid down in CDCPL Regulations.



If the unit holder nominated any of the authorized person in his /her CDS Account and upon death of the Principal holder the units of Funds shall be Transferred in CDS account of that Nominee (act as trustee of the Principal holder) and thereafter the Nominee shall distribute the rights among the successors according to the Succession Certificate issued by the Court as specified in the Companies Act, 2017.

Transmission of Units to successors in case of inheritance or distribution of the estate of a deceased Unit Holder shall be processed by the CDCPL according to the procedure laid down in CDCPL Regulations.

#### **5.4. Procedure for Pledge / Lien / Charge of Units**

If Units are held in CDS account then request should be made to Broker Participant or the Investor Account Service (IAS) with which the account is maintained, according to the procedure laid down in CDCPL Regulations.

#### **5.5. Temporary Change in Method of Dealing, Suspension of Dealing and Queue System**

##### **5.5.1. Temporary Change in the Method of Dealing**

Under the circumstances mentioned in Clause 5.5.2 & 5.5.3, Subject to compliance with Regulation (having regard to the interests of Unit Holders), the Management Company may request the Trustee to approve a temporary change in the method of dealing in Units. A permanent change in the method of dealing shall be made after expiry of at least one month's notice to Unit Holders and with the approval of Trustee.

##### **5.5.2. Suspension of Fresh Issue of Units**

The Management Company may at any time, subject to the Regulations and in the best interest of Unit Holders or under the circumstances of Force Majeure as defined in this offering Document or any other situation in which the issuance of fresh units is, in management company's opinion, against the interest of the unit holders, suspend issue of fresh Units.

Such suspension may, however, not affect the payment of cash dividend or the issue of bonus Units as a result of dividend distribution. The Management Company shall announce the details of exemptions at the time a suspension of fresh issue is announced. The Management Company shall immediately notify the Commission, Trustee and Exchange if dealing in Units is suspended.

Provided that the Management Company shall, at any time, terminate such suspension at the order of the Commission.

Further provided that the trading in ETF Units on the exchange may continue during the period of suspension of issuance and redemption of ETF Units.

##### **5.5.3. Suspension of Redemption of Units**

The Redemption of Units may be suspended during rebalancing of the ETF, extraordinary circumstances/ Force Majeure etc. or in any other circumstances determined by the management company to be in the interest of the unit holders

Redemption requests received on the day of the suspension shall be rejected.

##### **5.5.4. Winding up in view of Major Redemptions**

In the event the Management Company is of the view that the quantum of redemption requests that have built up are likely to result in the Fund being run down to an unsustainable level, it may announce winding up of the Fund. In such an event, the Queue System, if already invoked, shall cease to apply and all Unit Holders

shall be paid after selling the assets and determining the final Redemption Price. However, interim distributions of the proceeds may be made if the Management Company finds it feasible. In case of shortfall, neither the Trustee nor the Management Company shall be liable to pay the same.

## **6. DISTRIBUTION POLICY**

### **6.1. Declaration of Dividend**

- a) The Management Company shall decide as soon as possible but not later than forty-five days after the Accounting Date / interim period whether to distribute among Unit Holders, profits, either in form of bonus Units (stock dividend) or cash dividend, if any, available for the distribution at the end of the Accounting Period and shall advise the Trustee of the amount of such distribution per Unit. The Fund will comply with regulatory and taxation requirements and the distribution policy may be amended accordingly.
- b) The Management Company on behalf of the Fund shall, for every accounting year, distribute by way of dividend to the Unit Holders, not less than ninety per cent of the accounting income of the Collective Investment Scheme received or derived from sources other than capital gains (whether realized or unrealized) as reduced by such expenses as are chargeable to a Collective Investment Scheme under the Regulations.
- c) For the purpose of this Clause the expression “accounting income” means income calculated in accordance with the requirements of International Accounting Standards (IAS) as are notified under the Companies Act, 2017, the Regulations and the directives issued by SECP. Wherever the requirement of Regulations or the directives issued by SECP differs with the requirement of IAS, the Regulations and the said directives shall prevail.

Provided that in case of Exchange Traded funds accounting Income shall also include net of element of income created through income statement at the time of issuance and/or redemption of units

### **6.2. Determination of Distributable Income**

The amount available for distribution in respect of any Accounting Period shall be the sum of all income other than capital gains (whether realized or unrealized), from which shall be deducted

- the expenses, as stated in Clause 7.2 to 7.4 of this Offering Document; and
- any taxes of the Fund

All the receipts deemed by the Management Company to be in the nature of capital accruing from Investments shall not be regarded as available for distribution but shall be retained as part of the Trust Property, provided that such amounts out of the sale proceeds of the Investments and all other receipts as deemed by the Management Company to be in the nature of the net realized appreciation may be distributable to the Unit Holders by the Trustee upon instructions of the Management Company and shall thereafter cease to form part of the Trust Property.

### **6.3. Payment of Dividend**

All payments for dividend shall be made through transfer of Funds to the Unit Holder’s designated bank account and such payment shall be subject to the Regulations and any other applicable laws and taxes.

### **6.4. Bonus Units**

The Management Company may decide to distribute, wholly or in part, the distributable income in the form of bonus / stock dividend (which would comprise of the Bonus Units of the Trust), if it is in the interest of Unit Holders. After the fixing of the rate of distribution per Unit, in case of distribution in the form of Bonus Units, the Management Company shall, under intimation to the Trustee, issue additional Units for Bonus / Stock Dividend.

The Bonus units would rank pari passu as to their rights in the net assets, earnings and receipt of dividend and distribution with the existing units from the date of issue of these Bonus units.

## **6.5. Closure of Register**

The Management Company may close the Register by giving at least seven (7) days' notice to Unit Holder provided that the time period for closure of register shall not exceed six (6) working days at a time and whole forty five days in a Financial Year. During the closure period, the sale, redemption, be suspended. Notice for closure of register should be published in two newspapers (Urdu and English language) having circulation in Pakistan.

## **7. FEE AND CHARGES**

### **7.1. Fees and Charges Payable by an Investor**

Issuance, Redemption and Transfer of units can only be made through CDS therefore Transaction cost would be applicable as per the Depository and Clearing House Tariffs.

#### **7.1.1. Expenses borne by the Management Company and the Trustee**

The Management Company and Trustee shall bear all expenditures in respect of their respective secretarial and office space and professional management services provided in accordance with the provisions of the Deed. Neither the Management Company nor the Trustee shall make any charge against the Unit Holders nor against the Trust Property nor against the Distribution Account for their services nor for expenses, except such expenses or fees as are expressly authorized under the provisions of the Regulations and the Deed to be payable out of Trust Property.

Any cost associated with sales, marketing and advertisement of collective investments schemes shall not be charged to the collective investment schemes, unless specifically allowed by the commission in Regulation.

#### **7.1.2. Remuneration of Distribution Company / Investment Agent / Investment Facilitator**

The Investment Facilitator/Investment Advisor/Sales Agent employed by the Management Company will be entitled to a remuneration payable by the Management Company out of its own resources. Management Company is allowed to charge certain expense as specified in this Offering Document.

### **7.2. Fees and Charges Payable by the Fund**

The following expenses shall be borne by the Fund:

#### **Remuneration of the Management Company**

The Management Company shall be entitled to prescribe and receive maximum remuneration up to the maximum rate of remuneration permitted under the Regulations and directives issued there under.

The remuneration shall begin to accrue from the issue of Initial Creation Units.

Such remuneration is payable to the Management Company in arrears within thirty (30) Business Days after the end of each calendar month.

In consideration of the foregoing and save as aforesaid, the Management Company shall be responsible for the payment of all expenses incurred by the Management Company from time to time in connection with its responsibilities as Management Company of the Trust. The Management Company shall not make any charge against the Unit Holder(s) or against the Trust Property for its services or for its expenses, except such expenses as are expressly authorized under the provisions of the Regulations and directives issued there under and the Deed to be payable out of Fund Property.

Any increase in the remuneration of the Management Company and approved by the Commission shall require thirty days prior notice to the unit holders. However, any decrease in remuneration of the Management Company shall not require such notice.

### **Remuneration of the Trustee**

The Trustee shall be entitled to a monthly remuneration out of the Trust Property determined in accordance with Annexure "A". The remuneration shall begin to accrue from the issue of Initial Creation Units.

Such remuneration shall be paid to the Trustee in arrears within thirty (30) Business Days after the end of each calendar month.

In consideration of the foregoing and save as aforesaid the Trustee shall be responsible for the payment of all expenses incurred by the Trustee from time to time in connection with its duties as Trustee of the Trust. The Trustee shall not make any charge against the Holders or against the Trust Property for their services or for their expenses, except such expenses as are expressly authorized to be paid out of the Trust Property under the provisions of the Regulations and the Constitutive Documents.

Any increase in the remuneration of the Trustee agreed to by the Management Company shall require the approval of the Commission. However, any decrease in remuneration of the Trustee shall not require such approval.

### **7.3. Formation Costs**

All preliminary expenses of the Fund including expenses incurred in connection with the establishment and authorization of the Fund, including execution and registration of the Constitutive Documents, issue, legal costs, printing, circulation and publication of the Offering Document, and all expenses incurred during and up to the start of issuance of creation units, shall be borne by the Fund subject to the audit of expenses and amortized over a period of not less than five years or within the maturity of the Fund whichever is lower. This cost shall be reimbursable by a collective investment scheme to the Management Company subject to the audit of expenses. The Formation Cost shall be reported by the Management Company to the Commission and the Trustee giving their break-up under separate heads, as soon as the distribution of the securities is completed.

Formation Cost shall be charged to the Scheme and shall not exceed such limits as specified in the Regulations or directives issued there under.

### **7.4. Other costs and expenses**

The following charges shall also be payable out of the Fund's Property

- (i) Custody, Brokerage, Transaction Costs of investing and disinvesting of the Fund Property.
- (ii) All expenses incurred by the Trustee in effecting the registration of all registerable property in the Trustee's name.
- (iii) Legal and related costs incurred in protecting or enhancing the interests of the Unit Holders.
- (iv) Bank charges, financing and financial costs;
- (v) Auditors' Fees and out of pocket expenses.
- (vi) printing costs and related expenses for issuing Fund's quarterly, half yearly and annual reports
- (vii) Fund rating fee payable to approved rating agency.
- (viii) Listing Fee including renewals payable to the Stock Exchange(s) on which Units may be listed
- (ix) Fee pertaining to the Fund payable to the Commission.
- (x) Taxes, fees, , duties if any, applicable to the Fund and on its income, turnover and/or its properties including the Sales Tax levied on Services offered by Asset Management Company (for management of Fund).
- (xi) Charges and levies of stock exchanges, National Clearing and Settlement Company, and CDC Charges.
- (xii) Selling and Marketing expenses.
- (xiii) Any other expenses as permissible under the Rules and Regulations from time to time and / or

permitted by the Commission.

- (xiv) Index license fee.
- (xv) Maintenance or independent verification fee of an index by a third party.
  - Index maintenance fee
  - INAV maintenance fee
  - Share registrar fee
- (xvi) Fees and expenses related to registrar services, accounting, operation and valuation services related to CIS on discretion of the Management Company which will be reimbursable to the Management Company

## **7.5. Expense Ratio**

The expense ratio shall be in line with the limits assigned for Exchange Traded Fund, and as defined by the Commission from time to time.

## **8. TAXATION**

### **8.1. Taxation on the Income of the Fund**

#### **8.1.1. Liability for Income Tax**

The following is a brief description of the Income Tax Ordinance, 2001, applicable in respect of the Fund. This section is for advice only and potential investors should consult their tax experts for their liability with respect to taxation on income from investment in the Fund. This part does not cover tax liability of non-Pakistani resident investors with respect to taxes in their own jurisdiction.

Under the Tax Law in Pakistan, the definition of a public company includes a trust formed under any law for the time being in force. The Fund is considered as a public company liable to a tax rate applicable to a public company. However, the income of the Fund will be exempted from tax if not less than 90% of the accounting income for the year as reduced by capital gains whether realized or unrealized is distributed amongst the Unit Holders as dividend.

#### **8.2. Withholding tax**

Under the provision of Clause 47(B) of part (IV) of second schedule of the income Tax Ordinance 2001, the Fund's income from dividend from Term finance certificates, Sukuks, return on (Riba free) deposits with banks/financial institutions, return from contracts, securities or instruments of companies, organizations and establishments will not be subject to any withholding tax.

#### **8.3. Zakat on Fund**

The Fund is Saheb-e-Nisab under the Zakat and Ushr Ordinance, 1980. The balance in the credit of savings bank account, or similar account with a bank standing on the first day of Ramzan-ul-Mubarak will be subjected to Zakat deduction @ 2.5%.

#### **8.4. Taxation and Zakat on Unit Holders**

##### **8.4.1. Taxation on Income from the Fund of the Unit Holder**

The following is a brief description of the Income Tax Ordinance, 2001, applicable in respect of Unit Holder of the Fund. This section is for advice only and potential investors should consult their tax experts for their liability with respect to taxation on income from investment in the Fund. This part does not cover tax liability of non-Pakistani resident investors with respect to taxes in their own jurisdiction. Unit Holders of the Fund will be subject to applicable Income Tax on dividend income distributed by the Fund.

Capital gain arising from sale/disposal of Units of the Fund in the secondary market will be subject to tax at the applicable tax rate as mentioned in Income Tax Ordinance 2001 and shall be computed determined and collected by the NCCPL.

Capital Gain on Redemption by authorized participant /Institutional investor or any other unit holder through the management company will also be computed determined and collected from the AP/customer/unit holder by NCCPL, considering the ageing and price maintained by NCCPL in its system,

#### **8.4.2. Zakat**

Units held by resident Pakistani Unit Holders shall be subject to Zakat at 2.5% of the value of the Units under Zakat and Ushr Ordinance, 1980, (XVII of 1980), except those exempted under the said Ordinance. Zakat will be deducted at source from the redemption proceeds. Above deduction will not be made if Unit Holder provides declaration in due course of time to the Management Company.

#### **Disclaimer**

The tax and Zakat information given above is based on the Management Company's tax advisor's interpretation of the law which, to the best of the Management Company's understanding, is correct. Investors are expected to seek independent advice so as to determine the tax consequences arising from their investment in the Units of the Fund. Furthermore, tax and Zakat laws, including rates of taxation and of withholding tax, are subject to amendments from time to time. Any such amendments in future shall be deemed to have been incorporated herein.

### **9. REPORTS TO UNITHOLDERS**

#### **9.1. Account Statement**

The Broker and/ or the IAS Participant as the case may be shall send the Account Statement to each unit holder, maintained by them, periodically as specified in the CDC Regulation/ Procedure.

#### **9.2. Financial Reporting**

- The Management Company shall prepare and transmit the annual report physically in such form and manner as set out in Regulations as amended or substituted from time to time.
- The Management Company shall prepare and transmit quarterly reports physically (or through electronic means or on the web subject to SECP approval) in such form and manner as set out in Regulations as amended or substituted from time to time.

#### **9.3. Trustee Report**

The Trustee shall report to the Unit Holder, to be included in the annual and second quarter Financial Reports issued by the Management Company to the Unit Holders, as to whether in its opinion the Management Company has in all material respects managed the Fund in accordance with the provisions of the Regulations, the Constitutive Documents and if the Management Company has not done so, the respect in which it has not done so and the steps the Trustee has taken in respect thereof.

#### **9.4. Fund Manager Report**

The Management Company shall prepare Fund Manager Report each month as per guideline issued by MUFAP and transmit the same to the Unit Holders and also made available at their web site latest by 5th working day of each month.

### **10. WARNING AND DISCLAIMER**

#### **10.1. Warning**

- 10.1.1 If you are in any doubt about the contents of this Offering Document, you should consult your bank manager, Legal advisor, or other financial advisor. The price of the Units and the income of the Fund (from which distributions to Unit Holders is made) may increase or decrease.

10.1.2 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 its entire value. The historical performance of this Fund, other Funds managed by the Management Company, the financial markets, or that of any one security or transaction included in the Fund's portfolio will not necessarily indicate future performance.

## **10.2.Disclaimer**

- The Units of the Fund are not bank deposits and are neither issued by, insured by, obligation of, nor otherwise supported by SECP, any Government Agency, Trustee (except to the extent specifically stated in this document and the Trust Deed) or any of the shareholders of the Management Company or any of the Pre-IPO Investors or any other bank or financial institution. The portfolio of the Fund is subject to market risks and risks inherent in all such investments.
- Fund's target return/dividend range cannot be guaranteed. Fund's Unit price is neither guaranteed nor administered/ managed; it is based on the NAV that may go up or down depending upon the factors and forces affecting the capital markets and interest rates.

## **11. GENERAL INFORMATION**

### **11.1. Accounting Period / Financial Year of the Fund**

Accounting Period means a period ending on and including an accounting date and commencing (in case of the first such period) on the date on which the Trust Property is first paid or transferred to the Trustee and (in any other case) from the next day of the preceding accounting period.

Annual Accounting Period shall commence on 1st January and shall end on 31st December of the calendar year.

### **11.2.Inspection of Constitutive Documents**

The copies of constitutive documents, such as the Deed and the Offering Document, can be inspected free of charge at the addresses given below, however such documents shall also be available on the web site of the Management Company:

**'The Centre', 18th Floor, Plot No. 28, SB- 5, Abdullah Haroon Road, Saddar, Karachi**

### **11.3.Transfer of Management Rights of the Fund**

The management rights of the Fund may be transferred to another Management Company upon the occurrence of any of the following events in accordance with the procedure laid down in the Regulation, the Deed and the Directive issued by the Commission;-

- (i) the Management Company goes into liquidation, becomes bankrupt or has a liquidator appointed over its assets, or its license has been cancelled or does not hold valid license;
- (ii) where the Management Company is unable to remove the suspension of redemption of Units of the Fund within the fifteen business days of suspension and the Unit Holders representing at least three fourth in value of total outstanding Units of the concerned scheme pass a resolution or have given consent in writing that the scheme be transferred to another Management Company;
- (iii) if in the opinion of the Commission further management of the Fund by the existing Management Company is detrimental to the interest of the Unit Holders, the Commission may direct the Trustee to transfer the Fund to another Management Company.
- (iv) if the Management Company may retire voluntarily with the prior written consent of the Commission.

#### **11.4. Extinguishment /Revocation of the Fund**

The Fund may be extinguished by the occurrence of any of the following events in accordance with the procedure laid down in the Regulation, the Deed and the Directive issued by the Commission;-

- (i) where the Management Company is unable to remove the suspension of redemption of Units of the Fund within the fifteen business days of suspension and the Unit Holders representing at least three fourth in value of total outstanding Units of the concerned scheme pass a resolution or have given consent in writing that the scheme be revoked;
- (ii) where the Management Company goes into liquidation, becomes bankrupt or has a liquidator appointed over its assets, or its license has been cancelled or does not hold valid license;
- (iii) in the opinion of the Management Company the scheme is not commercially viable or purpose of the scheme cannot be accomplished subject to the consent of Trustee;
- (iv) the Management Company subject to regulatory approval, may announce winding up of the Trust in the event redemption requests build up to a level where the Management Company is of the view that the disposal of the Trust Property to meet such redemptions would jeopardize the interests of the remaining Unit Holder(s) and that it would be in the best interest of all the Unit Holder(s) that the Trust be wound up.
- (v) It may further be noted that the fund is introduced under the Regulatory Sandbox Guidelines, 2019 of SECP and the fund will be revoked on completion of regulatory sandbox testing, unless otherwise authorised by the SECP under applicable regulatory framework.
- (vi) on occurrence of any event or circumstances which, in the opinion of the Trustee, requires the Fund to be revoked; and
- (vii) where the Commission deems it necessary to revoke the Fund so directs either Trustee or the Management Company in the interest of Unit Holders;

#### **11.5. Procedure and manner of Revocation of the Fund**

Revocation of the Fund shall be done in accordance with the procedures and in the manner as mentioned in the Regulations or through circulars / guidelines issued by the SECP from time to time.

#### **11.6. Distribution of proceeds on Revocation**

In case of Revocation of the Fund the Trustee shall according to the procedure laid down in Regulations refund the net proceeds to the Unit Holders in proportion to the number of units held by them.

### **12. GLOSSARY**

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

**“Accounting Date”** means the thirty first day of December in each year or any interim date as decided by the Management Company from time to time on which the financial statements of the Trust are drawn up. Provided that the Management Company may, with the written consent of the Trustee and after obtaining approval from the Commission and the Commissioner of Income Tax may change such date to any other date and such change shall be intimated to the Commission.

**“Accounting Period”** means a period ending on and including an accounting date and commencing (in case of the first such period) on the date immediately after the close of IPO and (in any other case) from the next day of the preceding accounting period.

**“Annual Accounting Period” or “Financial Year”** means the period commencing on 1<sup>st</sup> January and shall



end on 31<sup>st</sup> December of the succeeding calendar year.

**"Authorized Participant(s)"** means the eligible institutional investor or TREC Holder of Exchange subject to the Authorized Participant Agreement signed between the parties.

**"Authorized Participant Agreement"** means an agreement entered into between an Authorized Participant, the Trustee and the Management Company setting out the roles and responsibilities of each party and includes, among other things, the terms and procedures for the issuance and redemption of Creation Units.

**"Auditor"** means the Auditor of the Trust appointed by the Management Company, with the consent of the Trustee, as per the Regulations.

**"Authorized Branches"** means those Branches of Distributors or Distribution Companies which are allowed by the Management Company to deal in Units of the Funds managed by the Management Company.

**"Authorized Investments"** means Pakistan origin investment and includes the following:

- Local Equities
- Cash and cash equivalent

**"Bank"** means institution(s) providing banking services under the Banking Companies Ordinance, 1962, or any other regulation in force for the time being in Pakistan, or if operating outside Pakistan, under the banking laws of the jurisdiction of its operation outside Pakistan.

**"Bank Accounts"** means those account(s) opened and maintained for the Fund by the Trustee at the instruction of the Management Company at Banks, the beneficial ownerships in which shall vest in the Unit Holder(s).

**"Benchmark Index"** means the Index as approved by the Commission and defined in this Offering Document.

**"Broker"** means any person engaged in the business of effecting transactions in securities for the account of others.

**"Business Day"** means any day on which Stock Exchanges, and the Management Company is open for business in Pakistan.

**"Cash Component"** means the difference between the applicable net asset value of a Creation Unit and the market value of the Portfolio Deposit. This difference will represent accrued dividend, accrued annual charges including management fees and residual cash in the scheme.

1. If Cash Component is positive, investor/AP has to pay while creation and will receive on redemption
2. If Cash Component is negative, investor/AP will receive on creation and will pay during redemption.  
add this after the current definition of cash component in ETF

**"CIS"/"Collective Investment Scheme(s)"** means Open End Scheme(s) managed by the Management Company and/or by other Asset Management Companies (both local and international).

**"Constitutive Documents"** means the Trust Deed, the Offering Document or such other documents as defined in the Regulations.

**"Creation Units"** means the specified number of ETF Units for issuance or redemption as determined by the Asset Management Company and disclosed in the Constitutive Documents.

**"Custodian"** means a Bank, a Depository or an Investment Finance Company licensed under the Regulations, which may be appointed by the Trustee in consultation with the Management Company to hold and protect the Trust Property or any part thereof as custodian on behalf of the Trustee, and shall also include

the Trustee itself if it provides custodial services for the Fund.

**“Cut-Off Time” / “Business Hours”** means the day time for dealing in Units of the Fund. The current Cut-Off Timing/Business Hours are mentioned in Annexure “B” of this Offering Document.

**“Distribution Account”** means the Bank Account (which may be a current, or PLS deposit account) maintained by the Trustee with a Bank as directed by the Management Company in which the amount required for distribution of income to the Unit Holder(s) may be transferred. Income or profit, if any, including those accruing on unclaimed dividends, in this account shall be transferred to the main account from time to time, as part of the Fund Property

**“Duties and Charges”** means in relation to any particular transaction or dealing all stamp and other duties, taxes, Government charges, bank charges, transfer fees, registration fees and other duties and charges in connection with the increase or decrease of the Trust Property or the creation, issue, sale, transfer, redemption or purchase of Units or the sale or purchase of Investment or in respect of the issue, transfer, cancellation or replacement of a Certificate or otherwise which may have become or may be payable in respect of or 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 remuneration payable to the Distribution Company or any Commission payable to agents on sales and redemption of Units or any Commission charges or costs which may have been taken into account in ascertaining the Net Asset Value.

**“ETF”** means Exchange Traded Fund, which is a listed index-tracking open end fund structured as a Collective Investment Scheme. The Primary objective of the ETF is to mimic the return of a particular benchmark index by investing substantially all of its assets in the constituent securities of the benchmark index. ETF shall issue and redeem Creation Units in-kind through AP only.

**“ETF Unit”** is a unit of open end scheme that tracks a benchmark index and is listed on the stock exchange and may be bought and sold like any other share on the stock exchange.

**“Exchange Regulations”** mean the Regulations Governing Exchange Traded Funds made by a Stock Exchange on which the Units of the Fund are listed and shall include any other regulations, notifications of directives issued by the Pakistan Stock Exchange relating to Exchange Traded Funds.

**“Exposure”** shall have same meanings as provided in the Regulations.

**“Financial Institution”** means a Bank, Development Finance Institution, Nonbanking Finance Company, Modaraba or an institution registered under relevant laws to provide financial services within or outside Pakistan.

**“Force Majeure”** means any occurrence or circumstance or element which delays or prevents performance of any of the terms and conditions of this Deed or any obligations of the Management Company or the Trustee and shall include but not limited to any circumstance or element that cannot be reasonably controlled, predicted, avoided or overcome by any party hereto and which occurs after the execution of the Deed and makes the performance of the Deed in whole or in part impossible or impracticable or delays the performance, including but not limited to any situation where performance is impossible without unreasonable expenditure. Such circumstances include but are not limited to floods, fires, droughts, typhoons, earthquakes and other acts of God and other unavoidable or unpredictable elements beyond reasonable control, such as war (declared or undeclared), insurrection, civil war, acts of terrorism, accidents, strikes, riots, turmoil, civil commotion, any act or omission of a governmental authority, failure of communication system, hacking of computer system and transmissions by unscrupulous persons, closure of stock exchanges, banks or financial institutions, freezing of economic activities and other macro-economic factors, etc.

**“Formation Cost”** means preliminary expenses relating to regulatory and registration fees of the Scheme, flotation expenses of the Scheme, expenses relating to authorization of the Scheme, execution and registration of the Constitutive Documents, legal costs, printing, circulation and publication of this Offering Document, announcements describing the Scheme and all other expenses incurred until the end of the Initial Period.

“**Fund**” means “Exchange Traded Fund” or “Scheme”, or “Trust”, or “Unit Trust”, or “ETF”.

**"Fund Property"** means the aggregate proceeds of the sale of all Units to Authorized Participant at Offer Price and any Transaction Costs recovered in the Offer or Redemption prices, after deducting there from or providing there against, the value of Redemption, Duties and Charges (if included in the Offer Price or Redemption Price) applicable to the issue or redemption of Units to Authorized Participant and any expenses chargeable to the Fund; 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 Unit Holders pursuant to the Trust Deed but does not include any amount standing to the credit of the Distribution Account.

“**Government Securities**” includes monetary obligations of the Government or a Provincial Government or a corporation wholly owned or controlled, directly or indirectly, by the Federal Government or a Provincial Government and guaranteed by the Federal Government and any other security as the Federal Government may, by notification in the official Gazette, declare, to the extent determined from time to time, to be a Government Security.

“**Holder or Unit Holder**” means the investor for the time being entered in the Register as owner of a Unit of Fund, including investors jointly so registered pursuant to the provisions of the Trust Deed.

INAV” means Intra-day Indicative net asset value calculated on a current basis (with regular intervals) after incorporating the price change of underlying securities throughout a business day. INAV is indicative current basis net asset value of an ETF unit that facilitates trading of ETF in the secondary market.

“**Investment**” means any Authorized Investment forming part of the Trust Property.

“**In-kind Creation**” means a portfolio of securities and the cash component to be delivered to the Asset Management Company, by an AP either on its own account or on behalf of its clients for creation of ETF units.

“**Issuance Form**” means a standardized form prescribed by the Management Company either in physical or electronic mode to be duly filled by the Authorized Participant for creation of Units in Creation unit size or multiples thereof and will be stated in this Offering Document.

“**Local Governments**” mean all the local / city governments in Pakistan.

“**Management Company**” is defined in the preamble hereto;

“**Net Assets of the Scheme**” means the excess of assets over liabilities combined together, such excess being computed in the manner as specified under Regulations.

“**Net Asset Value**” or “**NAV**” means per Unit Value arrived at by dividing the Net Assets of number of Unit(s) outstanding. The NAV shall be announced on each Dealing Day as per the directions of the Commission from time to time.

“**Offer Price or Purchase (Public Offer) Price**” means the sum to be paid by the investor for purchase of one Unit, such price to be determined pursuant to this document.

“**Offering Document**” means the prospectus or other document (issued by the Management Company with written consent of the Trustee and approved by the Commission) which contains the investments and distribution policy, unit structure(s) and all other information in respect of the Unit Trust, as required by the Rules and Regulations and is circulated to invite offers by the public to invest in the Scheme.

“**Par Value**” means the face value of **Rs. 10** for a Unit of the Fund.

**“Portfolio Deposit”** means a pre-defined basket of securities that represents the Benchmark Index together with a cash payment (if applicable) for the purposes of issuance and redemption of Creation Units to Authorized Participant(s) to be announced by the Management Company in the Offering Document and composition of the Portfolio Deposit may change from time to time.

**“Profit Distribution Date”** means the date on which the Management Company decides to distribute the profits (if any).

**“Provincial Governments”** mean the Provincial Governments of all four provinces of Pakistan.

**“Redemption Form”** means a standardized form prescribed by the Management Company to be duly filled by the Authorized Participant for In-Kind redemption of Units in creation unit size or multiples thereof and will be stated in this Offering Document.

**“Redemption Price or Repurchase Price”** means the amount to be paid to the relevant Holder of a Unit upon in-kind redemption of that Unit, such amount to be determined pursuant to this document.

**“Register”** means the Register of the Unit Holders kept pursuant to the Act.

**“Registrar”** means a Company that Management Company may appoint for performing the Registrar Functions; provided that Management Company may also itself perform the Registrar Functions.

**“Registrar Functions”** mean the functions with regard to:

- (a) Maintaining the Register;
- (b) Receiving application for transfer/transmission of Units directly from Unit Holder or legal representatives;
- (c) Processing requests for transfer and transmission of Units with regard to the Unit Holders; and effectuating such transfers in the Register;
- (d) Issuing Units to Unit Holders;
- (e) Dispatching of dividend warrants;
- (f) Keeping record of change of addresses/ other particulars of the Unit Holders; and
- (g) CDS related activities.

**“Rules”** mean Non-Banking Finance Companies (Establishment and Regulation) Rules 2003 as amended from time to time.

**“Regulations”** mean Non-Banking Finance Companies and Notified Entities Regulations, 2008, Securities Brokers Licensing & Operations Regulations, 2016 and Sandbox Guidelines, 2019 and the Schedules and Forms attached to it as amended/replaced from time to time.

**“SECP” or “Commission”** means Securities and Exchange Commission of Pakistan established under Securities and Exchange Commission of Pakistan Act, 1997 and shall include its successor.

**“Stock Exchange”** means a company that is licensed by the Commission as a stock exchange under Securities Act, 2015.

**“Tracking Error”** means the standard deviation of the difference between daily returns of the underlying Benchmark Index and the NAV of the ETF.

**“Tracking Difference”** measures the actual under- or outperformance of the fund compared to the underlying reference index. Tracking difference is defined as the total return difference between a fund and its

underlying reference index over a certain period of time.

**“Transaction Costs”** means the costs incurred or estimated by the Management Company to cover the costs (such as, but not restricted to, brokerage, Trustee charges, taxes or levies on transactions, etc.) related to the investing or disinvesting activity of the Trust’s portfolio, *inter alia*, necessitated by creation or cancellation of Units. Such costs may be added to the NAV to which the costs may be applicable for determining the Purchase (Offer) Price of such Units or be deducted from the NAV to which the costs may be applicable in determining the Repurchase (Redemption)Price.

**“Trust Deed” or “Deed”** means the Trust Deed of the Fund executed between the Management Company and the Trustee along with all the exhibits appended hereto.

**“Unit”** means one undivided share in the Net Asset being offered under this Scheme and where the context so indicating a fraction thereof.

**“Unit Creation Form”** means a standardized form prescribed by the Management Company to be duly filled by the investor to purchase Units.

Words and expressions used but not defined herein shall have the meanings assigned to them in the Act and Rules and Regulations, words importing persons include corporations, words importing the masculine gender include the feminine gender, words importing singular include plural and words “written” or “in writing” include printing, engraving lithography, or other means of visible reproduction. The headings and table of contents are for convenience only and shall not affect the construction of the Trust Deed.

## **ANNEXURES**

### **Annexure “A”**

#### **Central Depository Company of Pakistan Limited Tariff Structure of Trusteeship of Open – End Mutual Funds**

The trustee remuneration shall consist of actual custodial expenses / charges plus the following tariff.  
However any upward revision shall require prior approval of the SECP

<b>TARIFF (Flat Rate)</b>
0.1% p.a of Net Assets

## Annexure “B”

**1. Current Fee Structure:**

**A. For Exchange Traded Fund ( ETF)**

Up to 0.80% per annum on Net Assets of the Fund

**2. Cut-Off Timing:**

i. Current Cut-off Timing & Business Hours for dealing in Units:

Every Dealing Day – 9:00 am to 4:00 p.m.

ii. Current Cut-off Time for dissemination and announcement of NAV:

Latest by 6:30 p.m. on the Dealing Day

**Note:** Any change in the Cut-Off Timings/Business Hours including for the month of Ramadan shall be notified to investors/Unit-Holders via the Company’s website.

Any change in the management fee shall be notified after prior approval of the Commission through an addendum to this annexure and by publication in a widely circulated newspaper and/or as and how the SECP may direct.

**3. Expense Ratio: 2.5% per annum on Net Assets of the Fund**

## Annexure “C”

### LIST OF DISTRIBUTION OFFICES

<b>Sr. No.</b>	<b>Offices</b>	<b>Locations</b>
1	Head Office	Karachi
2	Stock Exchange Branch	Karachi
3	Karachi Gulshan Branch	Karachi
4	Islamabad Branch	Islamabad
5	Lahore Branch	Lahore
6	Faisalabad Branch	Faisalabad
7	Hyderabad Branch	Hyderabad
8	Multan Branch	Multan
9	Peshawar Branch	Peshawar