JS INVESTMENTS LIMITED

JS Islamic Hybrid Fund of Funds - 3 (JSIHFoF-3)

1st Supplement to the Offering Document

(Shariah Compliant Fund of Funds Unit Trust Scheme With Allocation Plans)

Wakalatul Istithmar Based Fund

7/11/2019

The Shariah Advisor
Al Hilal Shariah Advisors (Pvt)Ltd

First Supplement to the Offering Document of JS Islamic Hybrid Fund of Funds-3 (JSIHFoF-3) dated 11-07-2019

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

JS Islamic Hybrid Fund of Funds-3 is established in Karachi, Pakistan as an open-end Fund by a Trust Deed, dated February 27, 2019 registered under the Trust Act, 1882 by and between JS Investments Limited, as the Management Company (Wakeel) and Central Depository Company of Pakistan Limited, as the Trustee, and registered by Securities and Exchange Commission of Pakistan (SECP) as a notified entity under the Non-Banking Finance Companies and Notified Entities Regulations, 2008 (the "Regulations").

The Shariah Advisors of the Fund Mufti Irshad Ahmed Aijaz, on behalf of Al-Hilal Shariah Advisors (Pvt.) Limited, has reviewed this 1st Supplemental Offering Document of the JSIHFoF-3 and provided the consent that this Supplement to the Offering Document adheres to the principles of Shariah.

Effective from **11-07-2019,** the following clauses in the Offering Document are added / revised:

I. The following has been added to clause 2.2 (Investment Objective):

ii. JS Islamic Capital Preservation Allocation Plan - 7 (JSICPAP-7)

"JS Islamic Capital Preservation Allocation Plan – 7" aims to earn a potentially high return through dynamic asset allocation between Shariah Compliant Equities, Shariah Compliant Sovereign Income/Money Market based Collective Investment Schemes and Shariah Compliant bank saving accounts /term deposits, while providing principal preservation of the Initial Investment Value at completion of the life of the Plan.

II. The following has been added to sub-Clause 2.3.2:

(b) JS Islamic Capital Preservation Allocation Plan – 7 (JSICPAP-7)

"JS Islamic Capital Preservation Allocation Plan – 7" is a limited-term (2 Years) Constant Proportion Portfolio Insurance (CPPI) based allocation plan offered under "JS Islamic Hybrid Fund of Funds-3". The Plan aims to earn a potentially high return through dynamic asset allocation between Shariah Compliant Equities, Shariah Compliant Sovereign Income/Money Market based Collective Investment Schemes and Shariah Compliant bank saving accounts /term deposits, while providing principal preservation of the Initial Investment Value at completion of the life of the Plan.

The Pre-IOP of the JS Islamic Capital Preservation Allocation Plan - 7 shall be from **July 15, 2019** to **September 04, 2019**, both days inclusive. The Plan shall have a One (1) day IOP on **September 05, 2019**. The Plan's life shall start after clearance of all proceeds from Pre-IPO and IOP.

Maturity shall be two (02) years from the starting date of the Plan's life.

- JSICPAP-7 will be dynamically allocated between the Equity Portion (Shariah Compliant Dedicated Equity Funds) and Income Portion (Shariah Compliant Sovereign Income/Money Market based Collective Investment Schemes and Shariah Compliant bank saving accounts /term deposits) at Pre-defined Intervals by using the Constant Proportion Portfolio Insurance (CPPI) Methodology.

- The Plan may invest in Shariah Compliant Dedicated Equity Funds, Shariah Compliant Sovereign Income Funds and Shariah Compliant Money Market Funds offered by the Management Company and/or other AMCs and Shariah Compliant Bank saving accounts/ term deposit based on criteria defined below .

- The dynamic asset allocation is aimed at providing higher returns through participation in the Equity Portion while aiming to preserve *downside risk of capital* erosion through participation in the Income Portion.

- The allocation between the Equity Portion and the Income Portion will vary depending upon changes in the Plan Value.

- Allocation to Equity Portion will generally increase in the case where equity markets are rising, while allocation to the Income Portion will generally increase if the equity markets decline.

- The dynamic allocation mechanism will reallocate Plan's Net Assets, at Pre-Defined Intervals, in such a manner that if on a given business day the Proportion of Equity Portion allocation of the Plan is X% (ranging between 0% to 50%) then the Proportion of Income Portion allocation will be (100% - X%).

- The Plan may place a certain percentage of the Plan's assets (adjusted for redemptions, if any, during the Life of the Plan and inclusive of any Front-end Load) into cash and/or near cash instruments as mentioned in the authorized investments table below in order to meet the Plan Expenses.

- The asset composition of the plan shall be rebalanced at least on 5% decline in Portfolio Value from the previous rebalancing or on weekly basis, whichever falls earlier.

- The Management Company, from time to time at its discretion may lock-in certain percentage of the profits (if any) from the Equity Portion by realizing profits. The profits realized in this manner, shall be used by increasing the allocation to the Income Portion.

- If on any Business Day, or in case of a non-Business Day, the next immediate Business day, the Plan Value falls to a level that it triggers the "Bond Floor event", the entire Net Assets of the Plan will be allocated to a combination of "Income Portion" and "Cash or Near Cash instruments", within (3) three Business Days following the date of Occurrence of the aforementioned event(s), so as to ensure Capital Preservation for Unit Holders who hold their investments till completion of the Life of the Plan. The exposure to combination of "Income Portion" and "Cash or Near Cash Instruments" shall be selected to potentially

yield a return required to provide Capital Preservation to the Plan's Unit-Holders upon completion of Life of the Plan.

Basic features of JS Islamic Capital Preservation Allocation Plan – 7:

a) **Term/ Duration of the Allocation Plan:** The duration of the plan is 24 Months.
b) **Subscription Period:** The plan will be open for subscription from **July 15, 2019 to September 05, 2019,** both days inclusive. Subscription for the plan is for limited time period only. Only Class "A" Units shall be issued to investors at the Offer Price, during subscription period.
c) **Front End Load: Up to 3.00%**
d) **Contingent Load on withdrawal**: 1.00%

III. The table under sub clause 2.3.2 Authorized investments and Asset Allocation of Plans shall be replaced by the following:

	Indicative percentage allocation invested in Collective Investment Scheme(s)		
Name of Allocation Plan	**Sovereign Income or Money Market Schemes**	**Equity Scheme**	**Cash and/or Near Cash instruments**
JS Islamic Capital Preservation Allocation Plan – 6	0-100%	0-50%	0-100%
JS Islamic Capital Preservation Allocation Plan – 7	0-100%	0-50%	0-100%

A list of permissible investment avenues, along with indicative percentage allocation and rating of instruments, is as follows:

Asset Class/Scheme	**Entity/ Instrument Rating**	**Minimum exposure**	**Maximum exposure**
Shariah Compliant Sovereign Income or Money Market Schemes	N/A	0%	100%
Shariah Compliant Dedicated Equity / Equity Index Schemes	N/A	0%	50%
Shariah Compliant Saving Accounts & Term Deposits with Banks and licensed Islamic Banking windows of conventional Banks	AA- and above	0%	100%
Cash at Bank accounts of Islamic Banks and licensed Islamic Banking windows of conventional Banks (excluding TDRs) and GOP Ijara Sukuk not exceeding 90 days remaining maturity and money market schemes.	A and above	0%	10%

Note:

- The actual allocation percentages may vary on account of various factors including investments in Cash/ near cash instruments and allocation as permitted for CPPI based Fund of Funds Category, as per SECP directive from time to time.
- Investment may take up to a month to be deployed according to the allocation strategy. However, the Plan may invest the subscription money in money market scheme (s) managed by JSIL during pre-initial offering period and initial offering periods.
- Cash at Bank limit of 10% may go up in order to meet redemption requirements.
- The per party exposure limits given in regulations 55 (5) of the NBFC regulations, 2008 shall not be applicable on money market component invested in savings accounts and term deposits.
- As per regulations 55(6) of the NBFC Regulations, 2008 there is no exposure limit to Equity / Income / Money Market Funds in case of Fund of Funds provided that the Asset Management Company shall not charge management fee if the fund invests in the schemes managed by the same Asset Management Company

Rebalancing of Plans:

The Allocation plans shall be rebalanced, within the exposure limits defined in table above, as and when required as per the investment strategy of respective plans, with the sole purpose of maximizing risk-adjusted returns for its unit holders (Muwakkil).The proportions of allocation in each of the underlying schemes shall be as per the investment strategy of respective plans.

If exposures breach the limits defined in table above, the forced rebalancing of each of the Allocation Plans shall be executed within **14** working days of the breach of the exposure.

IV. The Benchmark table defined under sub-clause2.5.1 has been amended and replaced by the following:

JS Islamic Capital Preservation Allocation Plan – 6	The Benchmark of each Allocation Plan in the Fund will be the weighted average daily return of **i)** KMI 30 index; **ii)** six (6) month average deposit rates of three (3) 'A' rated scheduled Islamic Banks or Islamic Banking windows of scheduled Commercial Banks; **iii)** six months PKISRV Rates and **iv)** three (3) month average deposit rates of three (3) 'AA' rated scheduled Islamic Banks or Islamic Banking windows of scheduled Commercial Banks, as selected by MUFAP - based on actual proportion of **i)** Equity Portion consisting of Shariah Compliant Equity Funds; **ii)** Shariah Compliant Income Funds within Income Portion; **iii)** Shariah Compliant Sovereign Income Funds within Income Portion; and **iv)** Money Market Funds and Cash or Near cash instruments; in each of the Allocation Plans as approved by SECP.
JS Islamic Capital Preservation Allocation Plan - 7	

V. Following Clause 2.5.4 (c) Risk Control in the Investment Process has been deleted

The selected Multiplier shall be based on the Investment Committee view on the macro economic scenario, equity market performance, and prevailing market risks thereof. The Management Company may, at its discretion, change the Multiplier from time to time based on the prevailing market conditions based on the limits defined in Circular No. 18 of 2015.

Cushion Value Percentage	Maximum Multiplier
0%- 2.5%	0
2.6% - 5%	2
5.1% and greater	4

And replaced by;

The Management Company may use a Maximum Multiplier of up to 5 times to arrive at exposure in risky assets including equity instruments without any cushion value percentage restrictions, subject to the condition that exposure in risky assets including equity instruments shall not exceed 50% of the Net assets of the Constant Proportion Portfolio Insurance based CIS/Plan.

All other segments of the Annexure shall remain unchanged

VI. The following additions have been made under sub-clause 3.16.1(a):

Bank Accounts for Initial Offer Period (IOP), and subsequent to IOP:

2. "CDC Trustee – JSIHFOF-3 - JS Islamic Capital Preservation Allocation Plan – 7" or "CDC Trustee – JSIHFOF-3 - JSICPAP-7."

All other segments of the clause shall remain unchanged.

VII. The table under sub-clause (b) of Clause 4.4.4 (Purchase of Units) has been amended and replaced by the following:

Allocation Basket/Plan	Pre-IOP - Bank Accounts for Demand Draft, Online transfer, or Cheques (account Payee only)	IOP and Subsequent to IOP - Bank Accounts for Demand Draft, Online transfer, or Cheques (account Payee only)
JS Islamic Capital Preservation Allocation Plan - 6	CDC Trustee – JSIHFoF-3	CDC Trustee – JSIHFoF-3 CDC Trustee – JSIHFOF-3 – JSICPAP-6
JS Islamic Capital	CDC Trustee – JSIHFoF-3	CDC Trustee – JSIHFoF-3 CDC Trustee – JSIHFOF-3 – JSICPAP-7

Preservation Allocation Plan - 7		

In addition, the investors may invest in any Allocation Plan, during Pre-IOP, IOP and subsequent to IOP, by specifying their choice of Allocation Plans(s) in the Purchase of Units form, and paying through Demand Drafts, Online transfers, or Cheques (account payee only) into the following accounts held with the Trustee:

- CDC Trustee – JSIL Funds

All other segments of the clause shall remain unchanged.

VIII. 'Front-end | Back-end | Contingent Load' table defined under Annexure 'A' has been amended and replaced by the following:

Front-end Load | Back-end Load | Contingent Load:

Allocation Plans	Front-end Load	Back-end Load	Contingent Load
JS Islamic Capital Preservation Allocation Plan – 6	Up to 3.00%	Nil	1.00%
JS Islamic Capital Preservation Allocation Plan - 7	Up to 3.00%	Nil	1.00%

Front-end load of up to 1.50% of the NAV per unit may be charged where transactions are done online or through a website.

All other segments of the Annexure shall remain unchanged.

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

SECP

No. SCD/AMCW/JSIHFOF-3/ 09 /2019 July 11, 2019

The Chief Executive,
JS Investments Limited,
7th Floor, The Forum,
Block 9, Clifton, Karachi- 75530.

Subject: **Approval of the 1st Supplemental to the Offering Document of JS Islamic Hybrid Fund of Funds – 3 (JSIHFOF-3) – JS Islamic Capital Preservation Allocation Plan – 7 (JSICPAP – 7)**

Dear Sir,

Please refer to the application dated July 4, 2019 received from your office on the subject noted above.

In this regard, I am directed to inform you that the amendments proposed by JS Investments Limited in the first supplement to the offering document of JSIHFOF – 3 to launch JSICPAP – 7 has been acceded to by the Securities and Exchange Commission of Pakistan.

JS Investments Limited may therefore proceed in accordance with the constitutive documents of the Fund and prevalent regulatory framework.

Yours truly,

Raja Ateeq Ahmed
Assistant Director

"Say no to Corruption"

Cc: Mr. Atiqur Rehman
Head of Trustee & Custodial Operations,
Central Depository Company
CDC House, 99-B, Block 'B'
S.M.C.H.S., Main Shahra-e-Faisal
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CDC/T&C-UI/DH/163/2019
July 3, 2019

Syed Ali Turab Alvi
Chief Strategic Officer
JS Investments Limited
7th Floor, The Forum
Block 9, Clifton
Karachi

Dear Mr. Ali

CONSENT ON FIRST SUPPLEMENT TO THE OFFERING DOCUMENT OF JS ISLAMIC HYBRID FUND OF FUNDS – 3

With reference to the captioned subject, we have reviewed the enclosed draft of first supplement to the offering document of JS Islamic Hybrid Fund of Funds – 3 offering an allocation plan 'JS Islamic Capital Preservation Allocation Plan – 7 '. We hereby convey our consent for the submission of the same with SECP for approval under Non-Banking Finance Companies and Notified Entities Regulations, 2008.

Please note that our consent is valid only for the draft first supplement to the offering document enclosed with this letter. Any changes made in this document subsequently, will require our consent separately.

Yours truly

Atiqur Rehman
Head of Trustee & Custodial Services

CC: **Ms. Musarat Jabeen**
Executive Director/HOD, Policy, Regulation and Development Department/
SMD, Adjudication Department (SCD)
Securities & Exchange Commission of Pakistan

Encl: As stated above

Al-Hilal
Shariah Advisors

July 04, 2019

Mr. Syed Ali Turab Alvi
Chief Strategy Officer
JS Investments Limited
7th Floor, The Forum, G-20, Block 9,
Khayaban-e-Jami, Clifton, Karachi

SUBJECT: CONSENT ON 1st SUPPLEMENT TO THE OFFERING DOCUMENT OF JS ISLAMIC HYBRID FUND OF FUNDS - 3

Assalam-u-Alaikum,

Dear Mr. Ali,

It is with reference to your letter dated July 01, 2019 regarding consent on 1st supplement to the offering document of JS Islamic Capital Preservation Allocation Plan 7 under JS Islamic Hybrid Fund of Funds-3 (JSIHFoF-3). We have reviewed and examined the enclosed supplemental offering document and found it to be in accordance with the Shariah guidelines. We hereby give our consent on 1st supplement to the offering document of JS Islamic Capital Preservation Allocation Plan 7 under JS Islamic Hybrid Fund of Funds-3 (JSIHFoF-3) and we give you our no-objection for submission of the same to Trustee and SECP for further procedures.

Regards,

Faraz Younus Bandukda
Chief Executive

Mufti Irshad Ahmad Aijaz
Shariah Advisor

Al-Hilal Shariah Advisors (Pvt) Limited

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