



**2<sup>nd</sup> SUPPLEMENT TO THE  
OFFERING DOCUMENT OF  
ATLAS STOCK MARKET FUND  
DATED: JULY 24, 2006**

**Second Supplement Dated July 24, 2006 to the  
Offering Document of Atlas Stock Market Fund (ASMF)  
issued on November 22, 2004**

**(Managed by Atlas Asset Management Limited as an asset management company registered under the Non Banking Finance Companies (Establishment and Regulation) Rules, 2003)**

Established in Pakistan under the Trusts Act 1882 (11 of 1882) by a Trust Deed dated May 29, 2004 and as amended dated June 21, 2005, and July 24, 2006 between Atlas Asset Management Limited (Formerly Atlas Asset Management Company Limited), as the Management Company and Central Depository Company of Pakistan Limited, as the Trustee and authorized under Rule 10 of the Asset Management Companies Rules, 1995, now replaced by the Non Banking Finance Companies (Establishment and Regulation) Rules, 2003 (NBFC Rules).

Effective from July 24, 2006, the following paragraphs in the Offering Document are revised. It is also mentioned for clarification that the information contained in paragraphs 6.1, 6.2, 17.2 and 17.3 of the Offering Document are as of November 22, 2004 and are not amended either through the First Supplement dated June 21, 2005, or this (2<sup>nd</sup>) Supplement to Offering Document dated July 24, 2006. For latest information, please refer to latest financial reports or visit the web site [www.atlasfunds.com.pk](http://www.atlasfunds.com.pk).

**(1) Amendment of Definition(vii) – Authorized Investment:**

In definition (vii) relating to Authorized Investments, the following paragraph is added as a new sub-clause 3(vii) (h):

**Additional sub-clause 3(vii)(h):**

“Investments outside Pakistan, including international listed equities, international profit bearing securities, international money markets, foreign currency bank deposits and certificates of investments, and mutual funds, subject to such conditions imposed by SECP, State Bank of Pakistan and the Government of Pakistan.”

**(2) Addition of Clause 5.2A – Investments outside Pakistan:**

After Clause 5.2 relating to investment policy, an **additional clause 5.2A is inserted** as follows:

**Additional clause 5.2A:**

**“5.2A Investments outside Pakistan**

1. Subject to the approval of the State Bank of Pakistan and endorsement thereof by the Securities and Exchange Commission of Pakistan to be notified to the Unit holders and the general public separately, Investments outside Pakistan (Foreign Investment) may be made by ASMF, to avail opportunities for higher returns in undervalued markets, as well

as to diversify risk. Such foreign investment will be subjected to the limits imposed by the SBP and SECP from time to time, which presently are as follows:

- a) 30% of the Net Assets of the Fund
  - b) The above percentage is subject to a cap of US\$ 15 million.
2. The above investment limits will be applicable at the time the Investment is made, and appreciation or depreciation of the investment at any time, merely due to foreign exchange parities, will not make it necessary for the Trustee to sell any Investment.
  3. In case, due to the relative movement of the value of foreign investment and/or the change in the limit, the value of Foreign Investment exceeds the above limit, the Management Company will have a time frame of three months to bring the ASMF into compliance.
  4. Fund Property can be invested in Foreign Investments including the following:
    - a) International listed equities;
    - b) International profit-bearing securities;
    - c) International money markets;
    - d) Foreign currency bank deposits and certificates of investments; and
    - e) Mutual funds.
  5. While investing outside Pakistan, the Management Company shall acquire the assistance and services of its technical partner for direct investments in securities in countries where the technical partner has direct exposure, for selecting Investments and executing the purchase/sell transactions until the time it has built in-house capacity to manage international investments and provided evidence of the same to the Trustee. The Management Company may also acquire the services of other reputable international fund manager(s) through a technical assistance or technical services agreement for performing the same functions if the Management Company feels that they offer better services for the Fund. The countries for investment shall initially be selected through the technical partner's assistance and expertise, with focus on those countries where the technical partner's presence is well established.
  6. The Management Company may build up its capacity, with the technical partner's assistance and support to manage investments in a limited number of countries/markets and may start to manage investments directly in those countries /markets after providing evidence of the capacity to the Trustee, whilst using the above means to manage investments in other countries/markets. The fees directly charged by the international fund manager(s) on investments outside Pakistan will be the responsibility of the Management Company and any fees paid out of Deposited Property of the Fund will be netted-off from the fees paid to the Management Company.
  7. While investing internationally, the Deposited Property will not be placed in any investment that has the effect of leveraging the Fund and if any such instrument/security is used, it must be supported by investment in spot or money market such that the effect of leverage is cancelled out.
  8. Associated companies and companies in parent-subsidary relationship shall be treated as group companies, even if registered/listed in different countries and any prescribed limit on group exposure shall apply to such companies.

9. Direct investments of the Fund in debt securities will only take place in 'investment grade' securities and 'sovereign risk' securities. Only up to 50% of the allowed limit of international investments shall be placed in sovereign risk securities of countries outside Pakistan and only up to 20% of the allowed limit of international investments in sovereign risk securities of any one country with the sovereign risk portion, if fully invested, divided among five different countries. The above limit will be applicable only to direct investments by the Fund.
10. Not more than 50% of the allowable limit of international investment will be placed in any one country.
11. The valuation of Investments Outside Pakistan shall be carried out one hour before the close of the Business Day in Pakistan according to the price of securities at or around that time or, if the price is not available, at the latest closing price of securities at the end of the last business day in the country in which the securities are quoted.
12. All amounts in foreign currencies will be converted into Pakistani Rupees based on the quotations by the National Bank of Pakistan or the Authorized Dealer(s). The conversion will take place at the buy rates."

### **(3) Amendment of Clause 5.15 (a) – Risk:**

Paragraph 5.15 (a) relating to risk is amended by making the following addition, after the head Volatility in Market Price:

- **“Geographical Risk: The Fund will also invest outside Pakistan, and such investments outside Pakistan may be exposed to certain additional risk including political, economic and exchange risks that may reduce the value of the investments. However, studies show that diversifying internationally would tend to reduce the overall volatility of a portfolio and thus may reduce risks for investors.”**

For the sake of clarity, it is stated that after the said amendment, Paragraph 5.15 (a) is read as under:

#### **Amended Clause 5.15 (a):**

“

- a) **The Fund will primarily invest in equity securities listed on the Stock Exchanges and also fixed income securities including money market instruments such as spread transactions, Government Securities, Term Finance Certificates (TFC), Special Purpose Vehicles (SPV) and other debt instruments listed on the Stock Exchanges, Carry Over Transactions (COT), purchase of securities in ready counter at the Stock Exchange(s) with simultaneous sale at forward counter to earn a spread, Certificates of Investment (COI) and other deposits with Banks. The investment in equity and debt instruments may be made at Stock Exchanges, but also at initial public offering (IPO) or pre-IPO. Such investments are subject to varying degree of risks that are not limited to:**
- **Equity Risk: Investment in equity securities are subject to price risk, which is dependent on a multiple of factors, including the profitability**

**/performance of investee companies, technological development, which may render the processes of investee companies obsolete, Government regulations, economic and political situation within the country, region and internationally. As a result of these factors, the dividend income and the share price of equity securities may go up as well as down.**

- **Voluminous issue or redemption of units: Large inflow or outflow of cash can affect the performance of funds, as these may not be immediately invested and to meet the redemption needs, the fund may have to sell investments. The fund may, however, meet the redemption requirements by borrowing to the extent of 15% of Net Assets.**
- **Liquidity Risk: Some securities listed at the Stock Exchanges are illiquid and difficult to sell. The Fund will avoid such risk by avoiding investment in such companies, unless they offer attractive prospects.**
- **Credit Risk: These are default risk, credit spread risk, and down grade risk. These risks are associated with fixed income securities. Default risk will involve possibility of non payment of mark up or principal. The Fund will reduce such risk by investing in securities with minimum investment grade rating. Credit spread risk will involve increase in difference of mark up rate of an issuer and Government Securities. Such increase is due to macro economic factors in local as well as global markets. Increase in spread will result in decrease in value of fixed income securities. Down grade risk means lower rating by credit rating agencies and will result in decrease in value of fixed income securities.**
- **Return or Mark up Rate Risk: These arise due to increase in lending rates as a result of a change in the supply and demand of liquidity in the market or on account of an increase in the underlying inflation rate. It will result in decrease in value of fixed income securities, including Government Securities.**
- **Law and Order: Breakdown of law and order, war, natural disasters, etc. will result in decrease of value of equity securities, as well as fixed income securities.**
- **Volatility in Market Price: Volatility in prices resulting from their dependence on market sentiment, speculative activity, supply and demand for the securities and liquidity in the market. The volatility in securities prices results in volatility of NAV based price of the Unit.**
- **Geographical Risk: The Fund will also invest outside Pakistan, and such investments outside Pakistan may be exposed to certain additional risk including political, economic and exchange risks that may reduce the value of the investments. However, studies show that diversifying internationally would tend to reduce the overall volatility of a portfolio and thus may reduce risks for investors.”**

**(4) Amendment of Part VII, Clause 7.1(d):**

Under Clause 7.1(d), after the words “NAV of the”, the word “previous” shall stand deleted and following words shall be added “close of Business day.”

For the sake of clarity, it is stated that after the said amendment, the revised Clause 7.1(d) shall read as follows:

**Amended Clause 7.1(d):**

“The Units can be purchased at their respective Offer Price and redeemed at their respective Redemption Price, which shall be calculated on the basis of the NAV of the close of Business day. ASMF shall announce the Offer and Redemption prices on a daily basis.”

**(5) Amendment of Part VII, Clause 7.3(b):**

Under Clause 7.3(b), after the words “in effect for the”, the word “following” be deleted, and be substituted by the words “close of the concerned”.

For the sake of clarity, it is stated that the amended Clause 7.3(b) shall read as under:

**Amended Clause 7.3(b):**

“After the Initial Period, the Management Company shall in consultation with the Trustee announce the Offer and Redemption Prices on a daily basis and such prices shall remain in effect for the close of the concerned Business Day.”

**(6) Amendment of Part VII, Clause 7.3(c):**

Under Clause 7.3(c), after the words “close of the Business Day”, the words “immediately preceding” shall be deleted, and be substituted by the word “on”.

For the sake of clarity, it is stated that the amended Clause 7.3(c) shall read as follows:

**Amended Clause 7.3(c):**

“The Offer Price shall be equal to the sum of the Net Asset Value (NAV) as of the close of the Business Day on the day of the announcement, and will carry Front-end Load at the rate of two percent (2%) of NAV (subject to revisions by the Management Company from time to time, with prior approval of SECP) and such amount as the Management Company may consider to be an appropriate provision of Duties and Charges and such sum to be adjusted upwards to the nearest two decimal places.”

**(7) Amendment of Part VII, Clause 7.3(d):**

Under Clause 7.3(d), after the words “close of the Business Day”, the words “immediately preceding” shall be deleted and be substituted by the word “on.”

For the sake of clarity, it is stated that the amended Clause 7.3(d) shall read as follows:

**Amended Clause 7.3(d):**

“The Redemption Price shall be equal to NAV as of the close of the Business Day on the day of the announcement, less an amount as the Management Company may consider to be an appropriate provision of Duties and Charges and such sum to be adjusted downwards to the nearest two decimal places.”

**(8) Amendment of Part VII, Clause 7.3(e):**

Under Clause 7.3(e), after the words “the Management Company shall”, the words “publish the Offer and Redemption Prices in one or more leading newspapers having wide circulation in major cities of the country on a daily basis and such prices shall remain in effect for the day” shall be deleted and be substituted by the words “as may be determined by the Commission and the Mutual Funds Association of Pakistan (MUFAP) from time to time, report the Offer and Redemption Prices to the MUFAP within the time limit prescribed, for consolidated press publication on the following day, or as per the amended procedure adopted by the MUFAP from time to time.”

For the sake of clarity, it is stated that the revised Clause 7.3(e) shall read as follows:

**Amended Clause 7.3(e):**

“The Management Company shall, as may be determined by the Commission and the Mutual Funds Association of Pakistan (MUFAP) from time to time, report the Offer and Redemption Prices to the MUFAP within the time limit prescribed, for consolidated press publication on the following day, or as per the amended procedure adopted by the MUFAP from time to time.”

**(9) Amendment of Part XI, Clause 11.4(c):**

In Clause 11.4( c ), after the words “Fractions of a unit will be issued up to”, the word “two” will be deleted and be substituted by the word “four.”

For the sake of clarity, it is stated that the revised Clause 11.4( c ) shall read as follows:

**Amended Clause 11.4(c):**

“Fractions of a Unit will be issued up to four decimal places of a whole Unit, and any amount remaining (if any) may be distributed to the Unit Holder. Certificates will not be issued for fractions of Units.”



Securities and Exchange Commission of Pakistan  
Specialized Companies Division  
NBFC Department

No. NBFC-II/JD - II/ASMF/449/2006

July 05, 2006

Ms. Lilly R. Dossabhoy  
Company Secretary  
Atlas Asset Management Limited,  
Ground Floor, Federation House,  
Shahrah-e-Firdousi, Clifton,  
**Karachi -75600**

**SUBJECT: Proposed Amendments in the Trust Deed and Offering Document**  
**Atlas Stock Market Fund**

Dear Madam,

I am directed to refer to your letter dated June 14, 2006 concerning the subject matter and convey approval of the Securities and Exchange Commission of Pakistan to the amendments proposed to be made in the Offering Document and Trust Deed of Atlas Stock Market Fund conveyed vide your letter dated May 31, 2006 subject to the following conditions and further amendments in both the documents.

1. With reference to clause 9A(4) on page 04 of the draft trust deed and clause 5.2A(4) on page 04 of the draft offering document; the clause should be amended as "International listed equities" instead of "International equities".
2. Inclusion of following clause in place of clause 9A(8) on page 05 of the draft trust deed and clause 5.2A(8) on page 05 of the offering document:  
"Associated companies and companies in parent-subsidary relationship shall be treated as group companies, even if registered/ listed in different countries and any prescribed limit on group exposure shall apply to such companies".
3. The following phrase of clause 9A(2) on page 03 of the draft trust deed and clause 5.2A(2) on page 03 of the draft offering document, should be deleted after the word 'parities'.  
"disposal of any Investment, or change in limit due to increase or decrease in Units";
4. Atlas Asset Management Limited shall publish a notice in a widely circulated newspaper informing the general public and the unit holders about the changes made in the trust deed and the offering document.
5. The Company shall place the revised and amended offering document on its website.
6. The Company shall comply with the provision of rule 80(8) of NBFC Rules, 2003.

Please confirm having made the above changes and send us a final amended copy of Supplemental Trust Deed, before its registration and also that of Supplemental Offering Document.

Yours truly,

  
**Tanzila Mirza**  
(Joint Director)