
CONVERSION PLAN

**FOR CONVERSION OF
PICIC INVESTMENT FUND
FROM
A CLOSED-END FUND
TO
AN OPEN-END SCHEME**

I. PRELIMINARY

1.1 Definitions

In this Conversion Plan, unless the subject or context requires otherwise, the following expressions shall have the meanings assigned to them, as below:

"Board" means the Board of Directors of HBL Asset Management Limited.

"Back End Load" means the charge deducted from the Net Asset Value in determining the Redemption Price. Back End Load deducted on Class A Units shall form part of the assets of Frozen Portfolio and Back End Load deducted on Class B Units and Class C Units shall form part of the assets of Unfrozen Portfolio.

"Class-A Segment" means such portion of PIF Undertaking that is relatable to Frozen Portfolio as mentioned in Article IV.2A hereafter

"Class-B Segment" means such portion of PIF Undertaking that is relatable to Unfrozen Portfolio as mentioned in Article IV.2B hereafter

"Class-A Unit" means one undivided share in the Open End Scheme from Frozen Portfolio, on *pari passu* basis, which shall not be redeemable until the Frozen Portfolio is unfrozen.

"Class-B Unit" means one undivided share in the Open End Scheme from Unfrozen Portfolio, on *pari passu* basis, which shall be redeemable from the Effective Date with Back End Load as per Article V.1(vi) of this Conversion Plan

"Closed End Fund" means a closed end scheme as defined in the NBFC Regulations.

"Commission" means the Securities and Exchange Commission of Pakistan and shall include any successor body thereof.

"Common Portion of PIF Undertaking" means common portion of undertaking relating to both Frozen Portfolio as well as Unfrozen Portfolio as mentioned in Article IV.2C hereafter

"Conversion Plan" means this Plan for Conversion of PIF from a Closed End Fund to an Open End Scheme.

"Conversion Units" mean Class-A Units issued against the Frozen Portfolio of PIF and Class-B Units issued against the Unfrozen Portfolio of PIF after its conversion into an Open End Scheme, to be initially issued to the Certificate Holders of PIF without any payment and without any Front End Load.

"Effective Date" means the date of the book closure to be announced specifically for the purpose of conversion, by HBLAML, which shall be the effective date of conversion, subject to the approval of the Commission and fulfillment of all legal and regulatory requirements.

"Front End Load" means the charge which may be included in the Offer Price of the Units.

"Frozen Portfolio" means the frozen shares of PSO and SNGPL listed in Schedule to this Plan held under an initial Consent Agreement dated 20th October 2005 and 31st March 2006 between GOP and erstwhile PICIC AMC as last extended by Consent Agreement dated 8th August 2016 and 27th June 2016 and as may further be extended by Consent Agreements that may be executed from time to time between HBLAML and GOP, pursuant to GOP's privatization policy to sell the entire shareholding of PSO and SNGPL to strategic investors.

"GOP" means the Government of Pakistan acting through PC

"HBL AML" means HBL Asset Management Limited, the Management Company of PIF (being the legal successor of PICIC AMC), an unlisted public limited company licensed to provide asset management and investment advisory services under the NBFC Rules and NBFC Regulations.

"NAV" mean Net Asset Value.

"NBFC Regulations" mean the Non-Banking Finance Companies and Notified Entities Regulation, 2008 including any amendments and substitutions thereof.

"NBFC Rules" mean the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003, including any amendments and substitutions thereof

"Open End Scheme " means a scheme for issuing Class-A and Class-B Units to the Certificate Holders of PIF after its conversion, in lieu of the Certificates of PIF as a Closed End Fund, held by them, at the swap ratio mentioned in this Plan and subsequently offering and redeeming Units continuously as specified in the Restated Trust Deed and Offering Document in accordance with the provisions of the NBFC Rules and the NBFC Regulations.

"Ordinance" means the Companies Ordinance, 1984, including any substitute legislation thereof.

"PC" means Privatization Commission constituted by GOP.

"PICIC AMC" means erstwhile PICIC Asset Management Company Limited, now merged into HBL AML vide the Commission's Sanction Order dated August 31, 2016 under Section 282L of the Ordinance.

"PIF Undertaking" means properties, assets, including cash liabilities, receivables and all other affairs of PIF as outlined in Article IV of this Plan.

"PIF" means PICIC Investment Fund constituted as a Closed End Fund by a registered Trust Deed dated April 2, 2004 and registered with the Commission as a notified entity under the NBFC Regulations to be converted into an Open End Scheme by a registered Restated Trust Deed.

"PSO" means Pakistan State Oil Company Limited.

"Sanction Order" means the Commission's Order dated August 31, 2016 sanctioning the Scheme of Merger of erstwhile PICIC AMC with an into HBL AML

"SNGPL" means Sui Northern Gas Pipelines Limited.

"Trustee" means Central Depository Company of Pakistan Limited, presently acting as trustee of PIF as a Closed End Fund, who has consented to continue as trustee of PIF after its conversion into Open End Scheme.

"Unfrozen Portfolio" means the all assets of PIF, including future assets after conversion, other than the shares of PSO and SNGPL listed in Schedule to this Plan.

"Unit" means one undivided share in the Open End Scheme on *pari passu* basis.

1.2 Background:

The erstwhile Pakistan Industrial Credit & Investment Corporation Limited ("**PICIC**"), the then holding company of the erstwhile PICIC AMC had acquired Management Rights of ICP Mutual Funds Lot-B from the GOP through PC under a Management Rights Transfer Agreement in the year 2004 and subsequently transformed ICP Mutual Funds Lot-B into a single Closed End Fund under the name **PICIC Investment Fund** (PIF).

Under an Agreement to Transfer Management Rights, the erstwhile PICIC transferred the Management Rights of PIF to its wholly-owned subsidiary, PICIC AMC.

Pursuant to compliance with Regulation 65 of the NBFC Regulations, all Closed End Funds were required to be converted into Open End Schemes upon expiry of five years from November 21, 2007 i.e. by November 21, 2012. Closed End Funds whose portfolios were frozen as a result of Consent Agreements with GOP through PC were allowed to be converted into Open End Schemes within three months from the date of the removal of the freezing of the portfolios. Since PIF has Frozen Portfolio, it was not converted into an Open End Scheme.

The erstwhile PICIC AMC was merged into HBL AML vide the Commission's Sanction Order dated August 31, 2016, which contain certain conditions imposed by the Commission while sanctioning the Scheme of Merger of PICIC AMC with and into HBL AML, including the condition contained in Clause 6.xiii of the Sanction Order requiring HBL AML to mandatorily convert PIF into an Open End Scheme, with bifurcation of two classes of Units i.e. Class-A

Units to be issued out of the Frozen Portfolio and Class-B Units to be issued out of the Unfrozen Portfolio.

The Board of HBL AML in its meeting held for this purpose on February 24, 2017 decided to proceed with the conversion of PIF into an Open End Scheme with the approval of the Certificate Holders of PIF under the provisions of the NBFC Regulations. For this purpose, this Plan has been prepared for placing the same before the Certificate Holders of PIF in a General Meeting ("**Meeting**"), whereat a resolution is proposed to be passed by a simple majority of the Certificate Holders present in the Meeting (in person or through post and proxies) who were entitled to vote thereat ("**Resolution**") for approving the conversion of the Fund from a Closed End Scheme to an Open End Scheme, so as to comply with the mandatory condition contained in Clause 6.xiii of the Commission's Sanction Order.

After the passing of the Resolution, a formal application will be made to the Commission for the sanction of the conversion in terms of this Plan and the Resolution.

The conversion will require revamping of the Trust Deed of PIF by a Restated Trust Deed to be approved by the Commission and got registered with the Sub-Registrar. The Restated Trust Deed shall contain all requisite terms and conditions applicable to an Open End Scheme with two Classes of Units i.e. Class-A Units and Class-B Units, as defined above. An Offering Document of PIF will also be prepared so as to meet with the requirements of an Open End Scheme under the NBFC Regulations. The Offering Document shall also be got approved by the Commission.

Upon conversion, the Open End Scheme would be known as ***HBL Investment Fund***.

II. OBJECT OF THE CONVERSION PLAN

This Conversion Plan is based on the directive given by the Commission. The object of this Plan is to convert PIF from a Closed End Fund to an Open End Scheme, as directed by the Commission vide the Sanction Order. The conversion would necessitate issuance of Conversion Units to the Certificate Holders i.e. Class-A Units of PIF to be issued to the Certificate Holders of PIF based on the market value of the Frozen Portfolio applicable on the Effective Date and Class-B Units of PIF to be issued to the Certificate Holders of PIF

based on the NAV of the Unfrozen Portfolio, in lieu of the Certificates held by them. The Conversion Units shall be issued on the basis of the swap ratio between the Certificates and the Units as mentioned In Article V.1 hereafter and cancellation of Certificates, while maintaining the continuity of the Fund as a trust.

III. CONVERSION

1. HBL AML through its directors and officers as may be designated by HBL AML's Board for such purpose shall prepare necessary documentation, including the Restated Trust Deed of the Open End Scheme under the name of ***HBL Investment Fund***, to be categorized as an equity scheme containing such terms and conditions as HBL AML's Board may deem appropriate, including as to issuance of Units of the Open End Scheme initially to the Certificate Holders of PIF without any Sales Load and subsequently to other investors at the Offer Price based on NAV of the Open End Scheme, with or without any Front-End Load and redemption of Units at the redemption price based on the NAV of the Open End Scheme with or without Back End Load, as may be approved by the Commission. The initial Units issued to the Certificate Holders of PIF upon its conversion into an Open End Scheme shall not be subject to any Front End Load. However, Back End Load will be charged on redemption of Class-A Units and redemption of Class-B Units as mentioned in Article V.1(iv) and (v) hereafter.
2. Upon conversion, PIF will be de-listed from Pakistan Stock Exchange and all issuance and redemption of Units shall be made on NAV basis by direct submissions of applications for purchase of Units and applications for redemption of Units to HBL AML and its distributors in accordance with the terms contained in the Offering Document to be prepared and published by HBL AML.
3. CDC will continue to act as the Trustee of the Open End Scheme.
4. HBL AML shall continue to be the Management Company of the Open End Scheme. HBL AML shall execute a Restated Trust Deed with the Trustee with the approval of the Commission and get the same registered with the Sub-Registrar. HBL AML shall get the Open End Scheme registered with the Commission as a Notified Entity under the NBFC Regulations and prepare and publish an Offering Document after seeking approval from the Commission. HBL AML shall also execute such other documents and deeds, as may be

required for smooth conversion of PIF into an Open End Scheme, obtain and fulfill all regulatory compliances, including approval from the Commission and fulfill, effectuate and do all such other acts, things and deeds.

IV. PIF UNDERTAKING

1. At the Effective Date, PIF Undertaking as generally defined in Article 1.1 (Definitions) shall become part of the Open End Scheme
2. PIF Undertaking shall comprise of three segments i.e. Class-A Segment against which Class-A Units will be issued to the existing Certificate Holders and is relatable to Frozen Portfolio, Class-B Segment against which Class-B Units will be issued to the existing Certificate Holders and is relatable to Unfrozen Portfolio and Common Portion of PIF Undertaking, which shall include common undertaking relatable to both Frozen Portfolio as well as Unfrozen Portfolio as mentioned in Para 2C hereafter.

2A Class-A Segment of the undertaking shall comprise the following:-

- (a) All properties and assets of every kind and description, tangible and intangible possessed by in power of the Trustee relatable to the Frozen Portfolio and all securities, contracts, receivables, book debts, actionable claims, advances, prepayments, deposits, accrued income, dividends, profits, interest, mark-up, reserves, capital reserves, un-appropriated profits, etc. whether present or contingent or accrued or accruing of whatsoever nature and whatsoever situated and howsoever due or accruing and relatable to Frozen Portfolio.
- (b) All sanctions, consents, licences, privileges and authorizations, issued by GOP, permissions, NOCs, consents, sanctions, etc., to the extent the same can be obtained by or issued to an Open End Scheme under the provisions of the Ordinance, the NBFC Rules and the NBFC Regulations and relatable to Frozen Portfolio.
- (c) All refunds and adjustments of income tax and all other taxes, duties and assessments of owing or due to PIF, if any, relatable to the Frozen Portfolio.

- (d) All liabilities relating to Sindh Workers Welfare Fund, Federal Excise Duty and Sales Tax on Federal Excise Duty accrued as at Effective Date.
- (e) All liabilities of PIF, if any, relating to the Frozen Portfolio.

2B Class-B Segment of PIF Undertaking shall comprise the following:-

- (a) All properties and assets of every kind and description, tangible and intangible possessed by in power of the Trustee relating to the Unfrozen Portfolio and all securities, contracts, receivables, book debts, actionable claims, advances, prepayments, deposits, accrued income, dividends, profits, interest, mark-up, cash and bank balances, reserves, capital reserves, un-appropriated profits, etc. whether present or contingent or accrued or accruing of whatsoever nature and whatsoever situated and howsoever due or accruing and relating to Unfrozen Portfolio.
- (b) All sanctions, consents, licences, privileges and authorizations, issued by GOP, permissions, NOCs, consents, sanctions, etc., to the extent the same can be obtained by or issued to an Open End Scheme under the provisions of the Ordinance, the NBFC Rules and the NBFC Regulations and relating to Unfrozen Portfolio.
- (c) All refunds and adjustments of income tax and all other taxes, duties and assessments of owing or due to PIF, if any, relating to the Unfrozen Portfolio.
- (d) All liabilities of PIF, if any, relating to the Unfrozen Portfolio.

2C Common Portion of PIF Undertaking relating to both Class-A Segment and Class-B Segment shall comprise the following:-

- (a) All bank accounts maintained by the Trustee on account of PIF with banks and financial institutions with all bank balances, including cash-in-hand and deposits.
- (b) All custodial accounts, IPS accounts and other accounts maintained by the Trustee on account of PIF.

- (c) All contracts and agreements of PIF with any third parties whatsoever.
 - (d) All legal and title deeds and documents and corporate, tax and other books, records, registers, instruments and papers of every kind maintained by or executed or issued in favour of or appertaining to or to which PIF may be a party thereto or may have any right, title, interest, obligation or liability thereunder.
 - (e) All suits, appeals, petitions, applications, execution applications and other legal proceedings of whatsoever nature, pending (if any) in any court or tribunal of upto the highest jurisdiction by or against PIF shall be continued to be pursued, prosecuted, enforced or defended, as the case may be, by the Trustee of PIF as an Open End Scheme.
 - (f) The custody of all securities, investments, documents, records, and other properties held by the Trustee on the Effective Date and the rights and obligations of PIF in relation thereto shall on that date become rights and obligations of PIF as an Open End Scheme to be managed by HBL AML.
- 2D Class-C Units will be issued against future properties, assets and investments acquired by PIF after conversion.

V. ISSUANCE OF UNITS

1. The conversion of PIF into an Open End Scheme shall be effectuated by issuance of Conversion Units i.e. Class-A Units and Class-B of the Open End Scheme to the Certificate Holders of PIF based on the following swap ratio:-
 - (i) For each Certificate of PIF, each Certificate Holder whose name is entered in the Register of PIF on the Effective Date shall be issued one (1) Unit of Class-A of the Open End Scheme based on value of the shares of PSO and SNGPL prevailing on the Effective Date and any dividend receivable less all liabilities as stated in Para 2A(d) of Article IV above and one (1) Unit of Class-B of Open End Scheme based on the NAV of Unfrozen Portfolio (remaining assets) less all liabilities of the Fund on Effective Date with no Front End Load.

- (ii) The Conversion Units shall be credited as fully paid up. Upon the issuance of the Conversion Units of the Open End Scheme, the Certificates of PIF shall be deemed to be cancelled and of no effect and the status of the Certificate Holders of PIF as a Closed End Fund shall stand changed to the Unit Holders of PIF as an Open End Scheme upon issuance of the Conversion Units.
- (iii) After issuance of the Conversion Units to the Certificate Holders of PIF, as an Open-end Scheme, no further Class-A Units or Class-B Units will be issued. HBL AML may offer and issue new Units to investors as permissible for Open End Scheme from the Unfrozen Portfolio. Such new Units will be Class-C Units, that may be subject to the Front End Load and Back End Load as per the terms and conditions of the Restated Trust Deed and the Offering Document of the Open End Scheme, as may be approved by the Commission. Class-B Units and Class-C Units shall rank *pari passu* inter se based on a common NAV of Unfrozen Portfolio.
- (iv) Class-A Units shall be redeemable after the Frozen Portfolio is unfrozen by GOP. Provided however, Back End Load will be charged on such redemption at the following rates:-
 - (a) On Class-A Units redeemed within six months from the date of unfreezing of the Frozen Portfolio, Back End Load will be charged @10%.
 - (b) On Class-A Units redeemed after expiry of six months, but before the expiry of one year from the date of unfreezing of Frozen Portfolio, Back End Load will be charged @5%.
 - (c) On Class-A Units redeemed after the expiry of one year from the date of unfreezing of Frozen Portfolio, no Back End Load will be charged.
- (v) Class-B Units shall be redeemable at any time from the Effective Date. Provided however, Back End Load will be charged on redemption at the following rates:-

- (a) On Class-B Units redeemed within six (6) months from the Effective Date, Back End Load will be charged @ 10%.
 - (b) On Class-B Units redeemed after expiry of 6 month but before the expiry of one year from the Effective Date, Back End Load will be charged @5%.
2. HBL AML shall have the right to advance money from Unfrozen Portfolio to Frozen Portfolio to meet cash flows requirements of Frozen Portfolio, including all statutory and contractual expenses of Class-A Units i.e. Management Fee, SECP fee, CDC fee, SWWF, FED, Sales Tax on FED etc. till the unfreezing of the Frozen Portfolio. Mark-up will be charged to the Frozen Portfolio @6 months KIBOR, which will be credited to the Unfrozen Portfolio.

VI. NOTICE TO CERTIFICATE HOLDERS FOR ISSUANCE OF UNITS

1. There shall be issued and published a twenty-one (21) days notice to each Certificate Holder of PIF of the date to be fixed by HBLAML by reference to which, the Certificate Holders of PIF are to be determined for entitlement to the Conversion Units of the Open End Scheme. Such notice shall also specify the time which may be upto forty five (45) days within which period the Certificate Holders holding physical Certificates of PIF shall deliver their respective Certificates held by them for issuance of Conversion Units. Scripless Certificates held as book entry securities in the respective names of the Certificate Holders shall stand automatically cancelled on the Effective Date against issuance of scripless Conversion Units.
2. Upon issuance of the Conversion Units of the Open End Scheme, the Certificates of PIF shall be deemed to be cancelled and of no effect.

VII. LIABILITIES

All the liabilities owed by PIF pertaining to the current audit fee and expense, management fee, custodial charges, Commission fee, Trustee's fee, fees and charges of Pakistan Stock Exchange and National Clearing Company of Pakistan Limited, shall be got cleared by the Trustee before the Effective Date on account of PIF pertaining to the period prior to the Effective Date of conversion.

All the remaining liabilities that cannot be paid before the Effective Date shall be made part of the Class A and Class B Segments of the PIF Undertaking as mentioned in Paras 2A(d) and 2B(d) of Article IV above.

VIII. GENERAL OBLIGATIONS OF HBL AML AND THE TRUSTEE

1. Upon conversion, HBL AML shall take all necessary and expedient steps to properly and efficiently manage the affairs of the Open End Scheme in accordance with the provisions of the NBFC Regulations.
2. Upon conversion, the Trustee shall continue to discharge its functions as trustee of PIF as an Open end Scheme in accordance with the provisions of the NBFC Regulations.

IX. MISCELLANEOUS

1. Pending the conversion, PIF shall not issue any rights Certificates or alter the capital of PIF in any manner.
2. This Scheme is subject to the final sanction of the Commission after the approval of the Certificate Holders of PIF by a Resolution passed by a simple majority. This Scheme may be sanctioned in its present form or with any modifications thereof or additions thereto, which the Commission may impose, which shall be deemed to be part of this Scheme.
3. The Board may consent to any modifications of or additions to this Scheme or to any conditions, which the Commission may think fit to impose without the need of obtaining further approval from the Certificate Holders of PIF.
4. All costs of conversion of PIF into an Open End Scheme, including preparation, execution and registration of Restated Trust Deed, registration of the Open End Scheme as a Notified Entity, approval of the Commission for publication of the Offering Documents and other such matters shall be charged to PIF as the Closed End Fund, as conversion costs.
5. This Scheme shall become effective from the Effective Date, as may be approved by the Commission.

6. In case this Plan is not approved by the Certificate Holders of PIF, the matter will be decided by the Commission, whose decision shall be final and binding on all the Certificate Holders.

SCHEDULE

Fund	Category	Shares	No. Of Shares	% Of Net Assets
PIF	Frozen	PSO	5,922,149	39.70%
		SNGP	2,488,024	4.47%
	Other than Frozen			55.83%
Total				100.00%

Approved by the Board of Directors of HBL Asset Management Limited pursuant to the meeting held on February 24, 2017.