Fifth (5TH) SUPPLEMENT

TO THE

OFFERING DOCUMENT OF

ALFALAH GHP INCOME FUND

An Open Ended Income Scheme

Fund Category	Risk Profile as per Circular 2 of 2020	Risk of Principal Erosion
Income Scheme	Medium	Principal at Medium risk

MANAGED BY

ALFALAH GHP INVESTMENT MANAGEMENT LIMITED

Dated: ____________________

Fifth Supplement dated ____________________ to the Fourth Supplement Offering Document of Alfalah GHP Income Fund (AGIF) issued on March 07, 2018.

[Managed by Alfalah GHP Investment Management Limited. an Asset Management Company Licensed under the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2008)]

The Alfalah GHP Income Fund (AGIF) has been established through a Trust Deed (the Deed) dated December 18, 2006, and thereon amended from time to time via supplemental Trust Deed(s) to constitute the Trust under the name and title of "Alfalah GHP Income Fund", An Open Ended Income Scheme between Alfalah GHP Investment Management Limited, the Management Company, and Central Depository Company of Pakistan Limited, the Trustee.

Effective from ______________________, the following clauses of the Offering Document have been added and replaced to read in their entirety as follows:-

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Following clause has been amended in point 2.2 Investment Policy:

1. **Authorized Investments**

S.No	Asset Class	Minimum Rating		Minimum Investment as a % to Net Asset	Minimum Investment as a % to Net Asset
		Entity	Instrument		
14	Spread Transaction & MTS or any other Leveraged product/system as approved by commission**	N/A	N/A	0%	40%

****Investment in Equity Futures Contracts for Spread Transactions**

A. **Introduction of Equity Futures Contracts**

Futures are a type of derivative financial contracts that obligate parties to transact an asset at a predetermined future date and price. For equities futures, it becomes a contract to buy or sell shares at a predetermined price at a specified time in future, regardless of current market price.

Types and period of maturity of Futures Contracts which are eligible for investment by Scheme are as follows:

I. Deliverable Futures Contract (DFC)

DFC require to buy or sell shares with actual delivery of said shares at the maturity of the contract. These contracts have a period of one (1) month with last Friday of calendar month as the maturity date for the contract, with settlement of T+2 immediately after close of the contract.

II. Single Stock Cash Settled Futures Contract (CSFC)

CSFC are standardized contracts to buy/sell single stock futures to be settled in cash, where the result of the trade is the cash difference between the buying and selling price without any delivery of shares. Period of contract ranges from seven (7), thirty (30) or ninety (90) days with last Friday of the calendar month/week as maturity date having settlement at T+1.

III. Stock Index Futures Contract (SIFC)

SIFC is an agreement to buy or sell a standardized value of a stock index (basket of shares) on a future date at a specified price. SIFC gives opportunity to investors to trade in entire stock market by buying index futures instead of buying individual securities. Contract period is of ninety (90) days with last Friday of the calendar month as the maturity day.

B. Treatment of Equity Futures Contracts

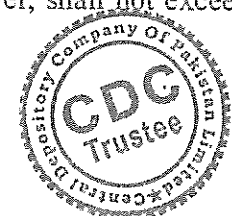
Futures Contracts provide a hedging window whereby quantity and price of shares can be locked for a future settlement date. In addition, it improves the liquidity dynamic for the Scheme by providing an additional futures window. The Scheme can also benefit from low margin requirement on the futures to attain marginal returns, helping the Scheme in achieving its objective of increasing Unit Holders' returns.

C. Extent and manner of participation of the Scheme in Equity Future Contracts

(a) The Scheme may invest in Deliverable Equity Futures Contracts or Cash Settled Equity Futures Contracts subject to the condition that difference between the contract price and upfront margin shall be invested in cash and near cash instruments i.e. Treasury Bills of less than ninety (90) days maturity and bank balances.

(b) The Scheme may sell Deliverable Equity Futures Contracts against its existing ready market open purchase position in the same scrip if such open position will settle prior to or on the same settlement date as the settlement of Deliverable Equity Futures Contracts or against shares held in CDC.

(c) The Scheme may sell Deliverable Equity Futures Contracts against its existing deliverable futures purchase position in the same security till such time that such position is settled. The Scheme may sell Cash Settled Equity Futures Contract against its existing cash settled equity future purchase position in the same security till such time that such position is settled. This exposure however, shall not exceed 40% of its net assets.



(d) The Scheme shall not blank sale in Deliverable Equity Future Contracts.

(e) Exposure (net long or net short) in Equity Futures Contracts shall not, at any time, exceeds total Net Assets of the Scheme.

(f) Exposure in Equity Future Contracts shall be marked to market on a daily basis as per requirement of the Pakistan Stock Exchange.

D. Purpose of Equity Future Contracts

The Scheme will use Equity Futures Contracts to achieve both hedging (Ready/Futures Spread) and capital growth (Futures Buy/Sell).

E. Compliance Measures

In addition to compliance monitoring mentioned in Paragraph (c) and (d) above, compliance of exposure limits prescribed under Regulation No. 55 of the NBFC Regulations shall also be observed.

F. Risk Management Measures

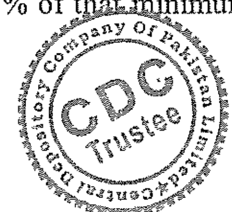
The Management Company shall ensure that necessary risk management measures are in place to enable the Management Company to monitor, measure and manage the risks of the Scheme's position in Equity Futures Contracts and their contribution to the overall risk profile of the Scheme.

Following are the risks associated with trading futures contracts in a CIS:

1. **Liquidity Risk**

Liquidity risk is an important factor. If a trade is executed, there is always a risk that it can become difficult or costly to exit from positions in illiquid contracts. For e.g. if fund buys Deliverable Futures Contract on a share which has low liquidity and some negative development occurs in the company then fund manager might decide to reverse his position by selling Futures Contracts but he may not be able to take counter position as there will be no buyer and fund might have to take maximum loss as position will be settled at month end. Liquidity risk will be reduced by taking positions in stocks that are substantially liquid with reference to the size of the trade. Fund Manager with the help of average traded value and market conditions will set criteria and size of trade.

Control For Deliverable Future Contract: Minimum value traded in the last 20 trading sessions will be determined in the futures contracts of the share in which trade has to be done. Fund manager will not take more than 25% of that minimum



traded value. Position cannot be increased in subsequent days before the settlement/ closure of the trade.

Example: If fund manager decides to buy shares in future contract on first day of the opening of futures contract, he will find out minimum value traded in last 20 sessions in futures contracts of shares. If this minimum value comes out to be Rs 40m then he will not make a trade of above Rs 10m in that contract (which may be completed in several days). Now if he completely reverses his position on 10th day of contract he may take fresh position by determining minimum value again. However if he decides to carry over his position until final settlement he would not be able to increase his position above Rs 10m limit.

2. Operational Risk

Operational risk summarizes the uncertainties and hazards a company faces when it attempts to do its day-to-day business activities within a given field or industry. A type of business risk, it can result from breakdowns in internal procedures, people and systems—as opposed to problems incurred from external forces, such as political or economic events, or inherent to the entire market or market segment, known as systematic risk.

Errors due to manual mistakes by staff are a major area of risk. Measures like adequate staff training, supervision, internal controls, and documentation of standard operating procedures and segregation of tasks are essential for running smooth, error free operations which as a result lead to reduction in instances and impact of operational risks. However, for Fund's point of view, such risk is covered through applicable NBFC Regulation and Constitutive Documents and shall be borne by AMC, if happened.