

STATEMENT OF MATERIAL FACTS OF

MERGER OF 786 RISING STAR FUND AND FIRST DAWOOD MUTUAL FUND WITH AND INTO 786 SMART FUND

1. INTRODUCTION TO THE SCHEMES

a) 786 Rising Star Fund (Formerly Dawood Islamic Fund)- Merging Scheme

786 Rising Star Fund (Formerly Dawood Islamic Fund) ("786RSF") was launched in July 14, 2007 with the objective to provide the maximum total return to the unit holders through allocation of assets between Shariah Compliant Equity and Shariah Compliant Fixed Income Instrument and any other Shariah Compliant Instrument as permitted by SECP and Shariah Advisor.

b) First Dawood Mutual Fund – Merging Scheme

First Dawood Mutual Fund (FDMF) was launched in March 22, 2005 with the objective to provide investors an opportunity to invest in diversified portfolio of securities representing equity, fixed income securities and money market instruments. The Fund will primarily invest into equity market ranging from 30% to 70% of its net assets. The Fund will maintain at least 10% of the net assets shall be invested at all times in cash and near cash instruments which include cash in bank accounts (excluding TDRs), treasury bills not exceeding 90 days maturity. The remaining assets will be invested in Government securities, cash and near cash instruments, money market placements, deposits, certificate of deposits (COD), certificate of musharakas (COM), TDRs, commercial papers, reverse repo, TFCs/Sukuks, Margin Trading System, spread transactions, preference shares; with a weighted average time to maturity of not more than 2 years of non-equity assets.

c) 786 Smart Fund (Formerly Dawood Income Fund)- Surviving Scheme

786 Smart Fund (Formerly Dawood Income Fund) ("786SF") was launched in May 19, 2003 with the objective to provide competitive risk adjusted returns to its investors by investing in a diversified portfolio of long, medium and short term Shariah compliant debt instruments while taking in to account liquidity considerations.

2. SCHEME OF MERGER

As a result of the subject Scheme of Merger of 786RSF and FDMF with and into 786SF, all the existing assets and liabilities of 786RSF and FDMF shall be transferred to 786SF and all unit holders of 786RSF and FDMF shall be issued fresh units of 786SF in lieu of their units held in 786RSF and FDMF on the basis of a swap ratio to be calculated on the Effective Date of merger.

Such swap ratio shall be calculated on the basis of respective NAV of the three schemes on the Effective Date and the issuance of the fresh units of 786SF shall be confirmed to all the unit holders of 786RSF and FDMF through issuance of an account statement within fifteen (15) working days of the Effective Date. For further details of the swap ratio, please refer to Section 3.8 of the Scheme of Merger.

3. FEATURES OF THE SURVIVING SCHEME

The main features of the Surviving Scheme includes the following

Name	786 Smart Fund (Formerly Dawood Income Fund)
Category	Islamic Income Fund
Investment Policy	786 Investment Ltd. '786 IL' shall manage the Fund on purely Shariah compliance basis by investing in designated Authorized Investments approved by the Shariah Advisor and thus providing Shariah compliant returns to the investors of the Fund. Hence no portion of the Fund property shall be invested in any investment which as per the opinion of Shariah Advisor is non Shariah compliant. The Fund would invest in diversified portfolio of long, medium and short term Shariah compliant income instruments in order to maximize risk adjusted income for the investors. 786 Smart Fund in line with its Investment Objectives will invest in Authorized Investments.
Investment Objective	The Investment Objective of the Fund is to provide competitive risk adjusted returns to its investors by investing in a diversified portfolio of long, medium and short term Shariah compliant debt instruments while taking in to account liquidity considerations
Launch Date	May 19, 2003
Financial Year End	June 30
Benchmark	The performance of the Fund shall be compared against a benchmark based on six (6) months average deposit rates of three (3) A rated scheduled Islamic Banks or Islamic widows of conventional banks as selected by MUFAP.
Par Value	PKR 100
Minimum Investment	PKR 5,000
Minimum Period	Not Applicable
Front End Load	1%
Back End Load	Only in Plans
Management Fee	1.5%
Pricing Mechanism	Forward Pricing
Trustee	MCB Financial Services Ltd
Auditors	Grant Thornton Anjum Rahman, Chartered Accountants
Risk Profile	Medium
Regulator	Securities and Exchange Commission of Pakistan

Listing	PSX (Pakistan Stock Exchange)
Net Assets (as of October 4, 2019)	388,278,227
NAV (as of October 4, 2019)	83.2763

4. TYPES OF UNITS TO BE ISSUED

All Units represent an undivided share in the assets of 786RSF, FDMF and 786SF. After merger all Unit Holder have beneficial interest in 786 SF proportionate to the 786 SF Units held/received against 786 SF total Unit Holder. 786 SF Units are transferable and can be pledged.

The Management Company is only offering Class 'B' units of 786SF and the details of the current level of Front-end Load and the Management Fee charged on these Units is mentioned above.

For avoidance of doubt, it is clarified that no Front-end Load shall be applied to the such Class "B" Units of 786SF to be issued to 786RSF and FDMF Unit Holders in lieu of 786RSF and FDMF Units held by them based on the swap ratio to be calculated on the Effective Date.

5. POST MERGER MANAGEMENT FEE

Management fee of the surviving scheme would be 1.5% of the average daily net asset of the fund.

6. PERFORMANCE OF THE SCHEMES

The performance of the Merging and Surviving Scheme during the four years are detailed below:

786RSF

Year	2019	2018	2017	2016
Net Assets (Rs. in million)	101.92	106.153	103.031	87.916
Net Income/Loss (Rs. in million)	(11.99)	(11.81)	9.49	34.98
Highest offer price per unit during the year	122.0623	136.5132	148.1508	309.8696
Lowest offer price per unit during the year	103.967	114.2111	126.7443	126.7778
Highest Repurchase price per unit during the year	120.7176	134.4958	145.978	305.2902
Lowest Repurchase Price per unit during the year	102.4305	112.5233	124.8713	124.9042

FDMF

Year	2019	2018	2017	2016
Net Assets (Rs. in million)	107.14	243.117	291.052	427.289
Net Income/Loss (Rs. in million)	(42.88)	(8.84)	103.72	(72.24)
Highest offer price per unit during the year	23.3309	24.2803	25.7662	21.0607
Lowest offer price per unit during the year	17.2297	20.9333	13.5311	16.5343
Highest Repurchase price per unit during the year	23.0417	23.9215	25.3855	20.7494
Lowest Repurchase Price per unit during the year	16.9751	20.624	13.3312	16.2899

786SF

Year	2019	2018	2017	2016
Net Assets (Rs. in million)	445.69	334.724	247.737	155.983
Net Income/Loss (Rs. in million)	50.43	35.11	34.99	38.2
Highest offer price per unit during the year	89.4113	89.1827	89.2376	92.6423
Lowest offer price per unit during the year	80.6252	79.7415	76.6404	73.9721
Highest Repurchase price per unit during the year	88.526	89.1486	88.3541	91.725
Lowest Repurchase Price per unit during the year	79.8269	78.9519	75.8816	73.2397

7. LIST OF DIRECTORS

Ms. Shafqat Sultana
Ms. Charmaine Hidayatullah
Ms. Tara Uzra Dawood
Mr. Tahir Mehmood
Syed Farhan Abbas
Mr. Ahmed Salman Munir
Syed Shabahat Hussain

CHAIRPERSON/INDEPENDENT DIRECTOR
INDEPENDENT DIRECTOR
EXECUTIVE DIRECTOR/CHIEF EXECUTIVE OFFICER
NON EXECUTIVE DIRECTOR
NON EXECUTIVE DIRECTOR
INDEPENDENT DIRECTOR
INDEPENDENT DIRECTOR

8. **INTEREST OF THE MANAGEMENT COMPANY, ITS ASSOCIATED ENTITIES AND ITS DIRECTORS IN THE MERGING AND THE SURVIVING SCHEME (AS ON OCTOBER 4, 2019)**

786 Rising Star Fund

Description	No. of unit Held
Management Company	109,323
Associated Entities and Individual of Management Company	856,224
Directors of Management Company	3,003

First Dawood Mutual Fund

Description	No. of unit Held
Management Company	3,442,963
Associated Entities and Individual of Management Company	722,521
Directors of Management Company	13,747

786 Smart Fund

Description	No. of unit Held
Management Company	832,200
Associated Entities and Individual of Management Company	1,454,619
Directors of Management Company	601,463

9. PROVISIONING DETAIL IN FUNDS

Funds has taken provision in following debt securities.

Debt Securities	786 Smart Fund	786 Rising Star Fund	First Dawood Mutual Fund
Dewan Cement Company Ltd	75,398,202	NA	NA
New Allied Industries Ltd	25,433,190	5,027,500	7,222,749
Eden Housing Ltd	2,887,171	NA	NA
Amtex Ltd	NA	NA	22,500,000
Total	103,718,563	5,027,500	29,722,749
Percentage of Net Assets	26.71%	4.86%	27.87%

For the attention of the unitholders of **786SF** that the fund has invested in nonperforming assets amounting to Rs. **103,718,563 (26.71%** of fund size) which was fully provided in compliance of the SECP circular no.1 of 2009 dated January 6, 2009. Upon realization of said amount, after merger of the scheme, the same will be shared among all unit holders of the funds, which may affect the benefit of existing those unitholders, who remain invested in the fund till the time of realization.

10. RECOVERABLE FROM FBR

The Management Company has filed return of income of **786 Rising Star Fund (Formerly Dawood Islamic Fund)** for the years ended 30 June 2013, 2014 and 2015 claiming exemption from taxation on income under clause 99 of Part 1 to the Second Schedule of the Income Tax Ordinance, 2001 (the Ordinance). The Additional Commissioner Inland Revenue (CIR) initially raised notices and then ordered to pay tax for the above referred years by making certain addition to income of the Fund and claiming that exemption under clause 99 is available to only those collective investment schemes, which distribute not less than 90% of its accounting income of that year amongst unit holders on year to year basis. Further, an amount of Rupees 7.9 million has been withheld by tax department from the bank account of the Fund which is included in advance income tax on the statement of asset and liabilities.

The management is pursuing the relevant authorities for the recovery of the aforementioned seized

amount of Rupees 7.9 million.