

Ceybank High Yield Fund

Licensed by the Securities and Exchange Commission of Sri Lanka

EXPLANATORY MEMORANDUM



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Email: info@ceybank.com Website: www.ceybank.com



This Memorandum is dated 1st November 2017

IMPORTANT

Ceybank Asset Management Ltd (Ceybank AML) is licensed by the Securities and Exchange Commission of Sri Lanka, to operate “**Ceybank High Yield Fund**”, which is a Unit Trust Fund as defined in the Securities and Exchange Commission Act No 36 of 1987 as amended, or any other statutory regulations thereof.

Units of **Ceybank High Yield Fund** is offered solely on the basis of information contained in this Explanatory Memorandum and the documents referred to herein. This Memorandum should be read in conjunction with the Trust Deed of the Fund. Read and retain this Memorandum for future reference. This Memorandum is based on the law and practice in force in Sri Lanka as at the date of this Memorandum and is subject to change therein. Investors who have any doubt in understanding the contents of this document should seek professional advice either from a Managing Company, Stockbroker, Banker, Lawyer an Accountant or a Tax consultant.

THE PRICES OF UNITS COULD MOVE DOWN AS WELL AS UP FROM TIME TO TIME DUE TO MARKET FLUCTUATIONS.

This Explanatory Memorandum has been seen and approved by the Directors of the Managing Company and they collectively and individually accept full responsibility for the accuracy of the information given and confirm that, after making all reasonable inquiries and to the best of their knowledge and belief, there are no other facts, the omission of which, would make any statement herein misleading.

The Trustees hereby declare and certify that they have read and agreed with the representations herein.

Any information or representation that is not contained in the Explanatory Memorandum and given by any dealer, salesperson or any other person should be regarded as unauthorized and should not be relied upon.

This Explanatory Memorandum does not constitute an offer or solicitation where such offer or solicitation is not authorized or an offer or solicitation to any person to whom it is unlawful to make such offer or solicitation and may only be used in connection with this offering of units by distribution as contemplated herein.

SEC Directive

Directive dated 24th September 2014 issued by the SEC under section 13 (c) of the Securities & Exchange Commission of Sri Lanka Act No. 36 of 1987 (as amended) requires Managing companies to maintain a minimum number of fifty (50) unit holders for each Fund at all times. The directive further states that new Funds need to obtain a minimum fifty (50) unit holders during an initial public offer (IPO) period and where the said minimum number is not met to refund the monies collected at the close of the IPO period.

Ceybank AML Representatives/ Investment Counsellors are not authorised to accept cash on behalf of Ceybank AML

SALE AND REDEMPTION OF UNITS

All enquiries about the **Ceybank High Yield Fund** should be directed to the Fund Manager

CEYBANK ASSET MANAGEMENT LTD

85 York Street
Colombo 1
Sri Lanka
Tel: 94 -11-7602000-2
Fax: 94-11-2327203
Email: info@ceybank.com

Units of the **Ceybank High Yield Fund** could be bought or redeemed through

i **CEYBANK ASSET MANAGEMENT LTD**

85 York Street
Colombo 1
Sri Lanka

ii **CEYBANK CUSTOMER SERVICE CENTRES**

Colombo North - 0710160160	Colombo South -0710108108
Jaffna - 0710662013	Kandy - 0812202861
Galle	0710662011

iii **BANK OF CEYLON BRANCHES**

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1. CEYBANK HIGH YIELD FUND

1.1 INTRODUCTION

Ceybank High Yield Fund is a Unit Trust Fund managed by Ceybank Asset Management Ltd, providing investment opportunities for investors, in the Corporate Debt and Money Market.

The primary investment objective of the Fund is to maximise income by investing in a portfolio of Corporate Debt and Money Market Instruments with maturities less than one year.

The Fund is an open ended Unit Trust and would be open for subscription during the Initial Offer Period which would be from 14th to 30th November 2017 at the Fixed Offer Price of Rs 10/- each per unit. Thereafter the Managers would accept applications for the issue of Units only at the prevailing offer price per unit.

The minimum subscription for units of the Fund would be Rupees One Thousand (Rs 1,000/-)

Ceybank High Yield Fund has been authorized by the Securities and Exchange Commission of Sri Lanka by a license dated 7th November 2017 to operate as a unit trust.

1.2 INVESTMENT OBJECTIVES AND INVESTMENT STRATEGY

The primary investment objective of the Fund is to maximise income by investing in a portfolio of Corporate Debt and Money Market securities.

The Fund will invest in Corporate Debt with maturities less than one year, such as Commercial papers, Asset Backed Securities, Debentures, Bank Deposits and other Money Market Securities, subject to the investment restrictions set out in Section 1.7

The Fund shall not make investments in listed or unlisted equity securities.

Summary Details of the Fund is given in the following page.

FUND AT A GLANCE

Ceybank High Yield Fund

Fund Structure	
Type of Fund	Money Market Fund
Nature of the Fund	Open-Ended
Investment Objective & Strategies	Maximise income by Investing primarily in the Corporate Debt & Money Market Securities.
Dealing Information	
Launch date	14th November 2017
Fixed Offer Price	Rs 10.00 per unit during the initial offer period
Initial Offer Period	14 th to 30 th November 2017
Continuous Investment	Daily on dealing days
Investment Price	Manager's Selling Price on the dealing day
Minimum Initial Investment	Rs 1,000/-
Valuation	Daily on dealing days (valuation is done on a cost plus accrual basis)
Currency	Sri Lanka Rupees (LKR)
Dividends	at the discretion of the Manager
Financial Year end	31 st December
Reporting	Annual and Half yearly
Specific Investment Restrictions	Fund does not invest in Equity (also refer 1.7)
Fees & Charges	
Front End Fee	None
Exit Fee	None
Management Fees	0.75% p.a. on the Net Asset Value of the Fund
Trustee Fees	Charged on the Net Asset Value of the Fund on the following basis. - 0.15% p.a. up to Rs 1.5 Billion - 0.125% p.a. between Rs 1.5 Billion and Rs 3.5 Billion - 0.10% p.a. above Rs 3.5 Billion
Custodian Fees	- 0.025% p.a. on the Net Asset Value of the Fund, Subject to a minimum of Rs 15,000/- per month.
Tax Payable by the Fund & Investor	Subject to prevailing Government tax policy.
Fund Administration	
Fund Manager	Ceybank Asset Management Ltd
Trustee	National Savings Bank
Custodian	Bank of Ceylon

1.3 THE MANAGER AND THE REGISTRAR

Ceybank Asset Management Ltd, (Ceybank AML) having its registered office at 85, York Street, Colombo 1, Sri Lanka, is the Manager for the **Ceybank High Yield Fund**.

Ceybank AML is a Fund management company incorporated in Sri Lanka in 1991. The primary objective of the company is managing unit trusts whilst also providing portfolio management services and other related services to clients. Ceybank AML is regulated by the Securities & Exchange Commission of Sri Lanka under the Securities and Exchange Commission Act No. 36 of 1987.

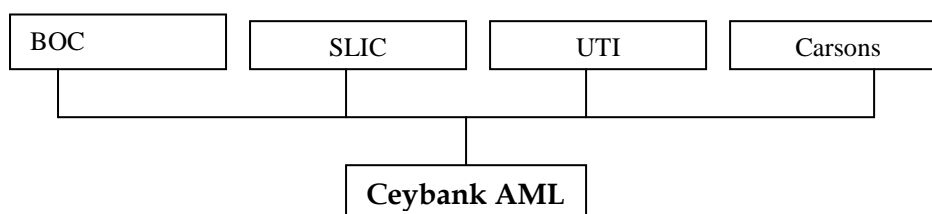
Shareholders of Ceybank AML are

Bank of Ceylon (BOC)	- 43.4%	www.boc.lk
Sri Lanka Insurance Corporation Ltd (SLIC)	- 26.6%	www.srilankainsurance.com
Unit Trust of India (UTI)	- 17.5%	www.utimf.com
Carson Cumberbatch PLC (Carsons)	- 12.5%	www.carsoncumberbatch.com

The Manager's role is to manage the Fund in accordance with this Explanatory Memorandum, the Trust Deed, the Unit Trust Code 2011 (as amended) and any directions which may be issued by the Commission from time to time. Its functions include the issue and redemption of Units on behalf of the Fund, making investments and divestments on behalf of the Fund and providing a valuation for the Units.

Ceybank AML as the Registrar will maintain the Register of Unit Holders and liaise with the Unit Holders for all matters pertaining to the sale of units, redemption of units, despatch of dividends and periodic reports.

Group Structure of the Management Company



1.4 THE TRUSTEE

The Trustee for Ceybank High Yield Fund is **National Savings Bank (NSB)**. NSB is wholly owned by the Government of Sri Lanka and the largest Savings Bank in Sri Lanka with Deposits over Rs 700 billion as at 30th September 2017. (www.nsb.lk)

NATIONAL SAVINGS BANK is a Licensed Specialized Bank incorporated under the National Savings Bank Act 30 of 1971 and its Amendments. Rated AAA (lka) by Fitch Ratings, NSB is the third largest Bank in Sri Lanka in terms of deposits, accounting for approximately 10 percent of Sri Lanka's Banking system assets.

The Trustee shall carry out the instructions given by the Manager and take reasonable care to ensure the Fund is managed in accordance with this Explanatory Memorandum, the Trust Deed, the Unit Trust Code and any directions which may be issued by the Commission from time to time.

As the Legal entity that holds the Fund's assets in trust on behalf of the investors, the Trustee will sign and authorise documents required to open investments (such as Master Repurchase agreements, Account opening forms among others), with counterparties of the Fund, as and when required.

The Trustee shall appoint a Custodian to hold the deposited property on behalf of the Fund in the event it does not act as the Custodian.

1.5 THE CUSTODIAN

Bank of Ceylon (BOC) will act as Custodian for the Ceybank High Yield Fund. (www.boc.lk)

Bank of Ceylon is the largest State sector Commercial Bank in Sri Lanka, with Assets of approximately 1.7 Trillion Rupees, an authorised share capital of Rs 50 billion and paid up share capital of Rs 10 billion. The Bank's network of 580 branches spans all provinces of the country. BOC's experience in the Trustee & Custodian business has expanded over the years. The BOC is currently the Trustee & Custodian for several other unit trusts as well. BOC is rated AA(lka) by Fitch ratings.

1.6 INVESTMENT RISKS

Investors should be aware that the price of units of the Fund and the dividend paid by the Fund can go down as well as up according to fluctuations in the market. Investments in units differ from Bank deposits and there is no guarantee of any fixed returns.

The Funds' investments are subject to normal market risks and the ability to achieve the investment objectives will depend to a great extent on the movement of market interest rates, monetary policy of the Central Bank of Sri Lanka, overall performance of the economy, and the contributory environmental factors. The Funds are also subject to various degrees of regulatory, fiscal, liquidity, inflation, interest rate and re-investment risks.

The Fund can be subject to the following risks depending on the assets owned by the Fund.

- **Default Risk:** Default risk is the credit risk that arises due to the risk that the issuer of a corporate debt instrument may be unable to make timely principal and interest payments.
- **Interest Rate Risk:** prices of bonds move inversely to the interest rate movement. Therefore, when interest rates rise, the prices of bonds decrease

and vice versa. The change in market values of the bonds would have a direct bearing on the movement in unit prices.

- **Liquidity Risk:** Liquidity risk is the ease with which an investment could be sold at or near its value without much risk of change in expected value. Wider the spread between bid and ask prices quoted in the market, higher the liquidity risk.
- **Re-investment Risk:** The maturity proceeds and coupon income from bonds will be subject to re-investment at the prevailing rates of interest at the time. The interim cash flows of the Fund would hence be subject to the variability of interest rates.
- **Inflation risk:** Inflation risk is the uncertainty that returns from this Fund may not cover the loss of purchasing power caused by inflation or the uncertainty of having negative real returns from this Fund.
- **Currency Risk:** The fluctuation in exchange rates could affect investors who have to convert Fund returns and redemption proceeds from LKR to other currencies.

1.7 INVESTMENT RESTRICTIONS

Investment restrictions specific to the Fund is indicated in the Summary Fact sheet found on Page 6.

The Fund will make investments within the investment parameters set out by the Commission, and changes made from time to time to the Unit Trust Code, the Trust Deeds and directives issued by the Commission from time to time.

The Unit Trust Code has restrictions and limits on investment. The Manager is precluded from making any investments in any of the following without the permission of the Commission

- (a) investments in commodities, futures and options;
- (b) investments in real estate, other than investment in real estate investment companies or companies that have real estate investment activities;
- (c) investments for the purpose of gaining management control of a company in which the Fund has purchased share capital;
- (d) investments in foreign securities;
- (e) investment in any asset which involves the assumption of unlimited liability;
- (f) leverage by borrowing against securities or buying on margin except in relation to securities with fixed and determinable future maturity date and the percentage of such leverage will be determined with the

approval of the Commission and stated in the Trust Deed provided that the maximum gearing a Fund may have outstanding, does not exceed fifteen per centum (15%) of the deposited property or such other percentage as the Commission may from time to time determine; and

- (g) such other investments as may be designated from time to time by the Commission as being investments that are not to be undertaken by a managing company.

The Commission has also issued Guidelines which are as follows:

- (a) The investment in debt of a single listed entity shall not exceed 25% of the Net Asset Value
- (b) The investment in unlisted debt of a single listed or unlisted company with an investment grade rating endorsement or guarantee shall not exceed 15% of the Net Asset Value
- (c) Exposure to any licensed commercial bank or specialized bank together with the exposures on guarantees and endorsements shall not exceed 25% of the Net Asset Value;

The Manager is also prohibited from entering into any underwriting or sub underwriting arrangement on behalf of the Fund except with the prior written consent of the Trustee and the Commission.

A violation of any limit on investment through the appreciation in value of the investments of the Fund due to market movements however would not amount to a breach of the Manager's obligations and such violation could be corrected within such time as maybe permitted by the Commission.

1.8 LIQUIDITY

The Funds shall maintain a level of liquidity amounting to at least 3% of the deposited property in cash or near cash to assure ease of redemptions.

The expression "near cash" in this sub-clause shall mean investments such as Bank/ call deposits, repurchase agreements with maturities less than 3 months, commercial paper endorsed or guaranteed by a licensed commercial bank or licensed specialized bank with maturities less than 3 months and government securities including government bonds with maturities of less than 1 year which can be readily convertible into cash.

1.9 BORROWING POWERS

The Funds may borrow monies up to a maximum limit of 15% of the net asset value of the Deposited Property for the purpose of:

- (i) the Fund acquiring Authorized Investments or
- (ii) for cancellation of Units or
- (iii) for funding of distribution of income.

1.10 FEE STRUCTURE

The fee structure applicable for **Ceybank High Yield Fund** is as follows:

Fees payable by the Unit Holder

- Front – End Fee - None
- Exit Fee - None

Fees chargeable to the Fund

- Management Fee - 0.75% per annum of the net asset value of the deposited property.
- Trustee Fees Charged on the Net Asset Value of the Fund on the following basis.
 - 0.15% p.a. up to Rs 1.5 Billion
 - 0.125% p.a. between Rs 1.5 Billion and Rs 3.5 Billion
 - 0.10% p.a. above Rs 3.5 Billion
- Custodian Fee - - 0.025% p.a. on the Net Asset Value of the Fund, subject to a minimum of Rs 15,000/- per month.

Full details of the administrative and professional expenses payable by the Fund and which are a charge on the deposited property, are set out below.

- Trustee fees
- Custodial fees
- Fees and expenses (other than Auditor's fees and expenses) incurred in preparing any special reports required by the Securities and Exchange Commission and/or any other regulatory authority.
- Auditor's fees and expenses.
- Cost incurred or to be incurred in the preparation and modification of the Trust Deed.
- Cost incurred to enable the Trust to comply with legislation or other official requirements.
- All professional fees incurred in connection with matters pertaining to the affairs of the Trust.
- All taxes and other duties payable in the establishment, execution, management or termination of the Trust.
- All costs incurred by the Managers in communicating with the unit holders in general and include cost of producing and dispatching newsletters, periodicals, reports, costs related to unit holder meetings.
- All costs incurred in respect of dividend distribution.
- Any other cost of dealing in the deposited property.
- All other charges and fees expressly authorized by the Trust Deed or by law.

The Manager is responsible for the charges and fees of any Advisors, Investment Consultants, Agents and Investment Counsellors retained by them.

1.11 DISTRIBUTION OF INCOME

Ceybank High Yield Fund may distribute all or part of its net income and realized capital gains to its Unit Holders. Distributions will be made at the discretion of the Manager.

2. ISSUE & REDEMPTION OF UNITS UNDER THIS MEMORANDUM

2.1 WHO CAN INVEST

Investment in the **Ceybank High Yield Fund** could be made by:

- a) Individuals jointly or severally
 - b) Minors as the first holder when applied jointly with an adult.
 - c) Any Company or body corporate which is authorized to make such investments.
 - d) Foreign Nationals.
- In the case of investments in the name of Minors, dividends if any, as and when distributed by the Fund will be cumulatively re-invested in Units until the Minor attains majority. The Minor when reaching 18 years of age, will be required to complete an updated application and submit required identification documents, which will define adult status.
 - **Foreign Nationals** are advised to make Investments through a Securities Investment Account (SIA) to be enabled to repatriate their investments. Details of the SIA and how to invest can be found on Page 19 of this Memorandum. **Foreign Nationals** can contact the Manager on 94 11 760 2000 for further details.

Applications are subject to the terms of this Memorandum and provisions of the respective Trust Deed

2.2 PURCHASING UNITS

Ceybank High Yield Fund is open for subscription for the issue of units on any dealing day, provided the Manager receives the duly completed application form together with realised funds.

Units will be allotted based on the Manager's Selling Price prevalent on the dealing day the Manager receives realised funds. The units allotted may include fraction of a unit rounded to the nearest tenth (1/10) of a unit equivalent in value to the amount invested.

2.3 HOW TO INVEST

Copies of this Memorandum and application forms can be obtained from Ceybank AML, any Sales Agents appointed by Ceybank AML or any Bank of Ceylon branch. Copies can also be downloaded from the Manager's website (www.ceybank.com)

In order to invest in **Ceybank High Yield Fund** an applicant should complete an Application form along with proof of identity or in the case of a Corporate Investor proof of registration, (a KYC form) and return it to the Manager directly, or through a Bank of Ceylon Branch or any other Bank authorised by the Manager, together with payment for the units. The Application Forms and relevant information can be obtained from the Ceybank AML office or any Bank of Ceylon Branch. Cash and cheques can be deposited directly favouring **Ceybank Asset Management Ltd, Account No 8223 at Bank of Ceylon, Metropolitan Branch** by using a Bank deposit slip or a special deposit slip, at any branch of Bank of Ceylon or authorised Bank. The original Customer's Copy of the Bank Deposit Slip or an accepted proof of payment must be sent to the Manager together with the application for units.

CASH PAYMENTS SHOULD NOT BE MADE TO ANY INTERMEDIARY

Alternatively, a person may attach his cheque to the application form and send it to the Manager by post. Cheques and Bank drafts must be made payable to “**CEYBANK ASSET MANAGEMENT LTD**” and crossed “**ACCOUNT PAYEE ONLY**”.

Ceybank Asset Management Ltd
85 York Street
Colombo 1
Sri Lanka

Email: info@ceybank.com

Subsequent Investments

Payment for the subsequent investments can be made in the usual manner, by cash or cheque or electronically. Payments need to be accompanied by the investor Reference number or a completed Investment slip stating Investors Name, NIC No., name of the Fund selected and Amount invested.

Regular Investment schemes

Investors subscribing to the regular monthly investment schemes can indicate their reference number on the deposit slip or on any other proof of payment if done electronically.

Online Investments (www.ceybank.com)

Investors making Investments via the Internet can complete the Application Form/ Investment slip and submit it along with the payment and other required documents electronically. The original documents signed by the investor/s need to be submitted to the Manager subsequently.

Ceybank AML Representatives/ Investment Counsellors are not authorized to accept cash on behalf of Ceybank AML

2.4 EVIDENCE OF OWNERSHIP OF UNITS

Evidence of ownership of Units will be in the form of a Transaction Receipt. The Units are held electronically in the computer system of the Manager. The Unit Holder will be issued a computer generated receipt called a "Transaction Receipt" when Units are purchased by the Unit Holder from the Manager, indicating the

- (i) Name of Fund
- (ii) Serial number
- (iii) Name and address of the Manager and the Trustee
- (iv) Name and address of the Unit Holder as appearing in the Unit Holder register
- (v) Number of Units purchased and
- (vi) Date of the transaction

The Unit Holder Register maintained by the Manager shall be the conclusive evidence of the person entitled to the Units entered therein.

It is the responsibility of the Unit Holder to notify the Manager as soon as possible if there are any changes to the information such as forwarding Address, Bank account numbers, provided by the investor in the application form.

2.5 DISTRIBUTION OF INCOME

If any dividend distributions are made by the Fund, Unit Holders have the option of receiving dividends in the form of cash or in units by re-investing the dividends in any Ceybank Unit Trust Fund (subject to the conditions of that Fund).

Dividend payments will be made only to the first holder, by way of a direct transfer to the bank account indicated in the initial application or by way of a crossed cheque. The payment will be made in Rupees and dispatched by ordinary post, after the declaration of the dividend. Investors also have the option of requesting dividend payments by direct transfers via systems accepted by Banks. This service will however attract a charge for the specific banking service, which could change from time to time depending on the bank tariff. The Manager does not assume liability, for the delays in the investor receiving value for the above payments.

Unit Holders may choose to reinvest the dividend declared, in any **Ceybank Unit Trust Fund** open for investments. The dividends of Unit Holders who request for automatic re-investment will be allotted units at the Manager's Selling Price prevailing on the first dealing day following the date of dividend declaration. The Unit Holder will be issued with a computer generated "Transaction Receipt" indicating the units thus allotted.

However, the Managers reserve the right to reinvest the dividend in the same Fund namely "Ceybank High Yield Fund" if the dividend amount is less than Rupees One thousand (Rs 1,000/-).

Dividends belonging to Minors and dividends of a value below Rs 1,000/- will be automatically reinvested in units of the same Fund.

Un-claimed Dividend Policy

In the event any of the income distributed remains unclaimed by the Unit Holder for a period of six (6) months after the date of distribution, the Manager shall re-invest such funds (less any charges in processing the relevant transaction) in to units of the same Fund, at the Managers Selling Price prevailing on the date and the amount of Units lying to the credit of the Unit Holder will be increased.

2.6 REDEMPTION OF UNITS

Units may in general be redeemed on any dealing day at the Manager's Buying price prevalent on any dealing day, provided the Manager receives a Redemption request from the unit holder. The Redemption request signed by the client/s can be made at the office of the Manager or by Fax or through a prior registered email with the Manager.

Unit Holders could redeem their units on any dealing day in whole or in part provided the minimum holding is not less than 100 units after such redemption is made. If the number of remaining units is less than 100 units, the Managers' reserve the right to redeem the remaining units and pay the proceeds to the investor.

Payment of redemption proceeds will be made in Sri Lanka Rupees to the first holder, by way of a direct transfer to the bank account indicated in the Application Form or by way of a crossed cheque, which will be dispatched by registered post within 7 business days after the date of receipt of a request for redemption. Investors also have the option of requesting redemption proceeds via an electronic fund transfer system recognized by the Banking industry. This service will however attract a charge for the specific banking service, which could change from time to time depending on the bank tariff. The Manager does not assume liability, for the delays in receiving value by the investor for the above payments.

If the total amount to be redeemed is greater than or equal to 3% (three per cent) of the net asset value based on the market value of the Fund, the unit holder will be required to give the Manager, written instructions, prior to the date of redemption. The period of notice required is at the Manager's discretion and is limited to a maximum of one calendar month. The redemption will be carried out at the Manager's Buying Price on the redemption date.

2.7 SWITCHING BETWEEN FUNDS

Unit Holders of **Ceybank High Yield Fund** have the option of switching their investments to any other Open Ended Unit Trust managed by the Manager subject to requirements specified under redemption of units set out in Section 2.6 of this Explanatory Memorandum and requirements and charges specified in purchase of units prescribed for the relevant Fund in the Explanatory Memorandum.

2.8 TRANSFER OF UNITS

Unit Holders of **Ceybank High Yield Fund** may transfer some or all of their units in the Fund to another party by forwarding a Transfer request to the Manager. The transfer request must be accompanied by an application form completed by the Transferee and relevant identification required. Each transfer request must be for at least one hundred (100) units. The Manager has the discretion to refuse or accept a transfer of a lesser number of units. A maximum of Rs 1,000/- could be charged as administrative expenses at the discretion of the Manager.

2.9 VALUATION OF UNITS

The prices at which investors may subscribe for or redeem units, are calculated on each business day, by reference to the Net Asset Value of the Fund as at the close of business on the valuation date (as defined in the Trust Deed).

The **Manager's Selling Price** for subscriptions on an on going basis as at any dealing day shall be determined by,

- (a) Ascertaining the value of the net assets of the Fund on the valuation day.
- (b) Adding such sum that the Managers may consider as representing the appropriate provision for duties and charges.
- (c) Dividing the resulting sum by the number of units in issue and deemed to be in issue on that day.

The **Manager's Buying Price** for redemptions as at any dealing day shall be determined by,

- (a) Ascertaining the value of the net assets of the Fund on that day.
- (b) Deducting there from, such sum that the Managers may consider as representing the appropriate duties and charges.
- (c) Dividing the resulting sum by the number of units in issue and deemed to be in issue on that day.

2.10 DEALING INFORMATION

The **Manager's Selling Price** and **Manager's Buying Price** of the Fund will be published daily in at least one leading Sri Lankan daily newspaper or Ceybank AML website.

2.11 CURRENCY DENOMINATION

The issue and redemption of units of the **Ceybank High Yield Fund** will be made only in Sri Lanka Rupees.

3. GENERAL INFORMATION

3.1 RIGHTS OF UNIT HOLDERS

The Unit Holder shall have the right to

- i) Inspect the Trust Deed at the office of the Managers during office hours free of charge. Copies of the Trust Deed priced at Rs 1000/- can be purchased from the Managers, at their office on any working day, at 85, York Street, Colombo 1, Sri Lanka, from 9.00 a.m. to 3.00 p.m.
- ii) Redeem subject to the conditions of the Trust Deed all or some units registered in their name.
- iii) Receive periodical statements, Annual accounts and reports of the Auditors.
- iv) Transfer the units registered in the name of a Unit Holder
- v) Participate in meetings of the Unit Holders subject to the provision of the Trust Deed.

3.2 TAXATION

Taxes payable by the Fund & the Investor will be based on the prevailing Government Tax Policy.

Prospective Investors who are in doubt as to their tax position should consult their own Professional Advisors on the implications of making an investment or holding and disposing of units and the receipt of income.

3.3 REPORTS AND ACCOUNTS

The Managers will compile and make available to Unit Holders a report on the Annual accounts and the performance of the Fund Annually. The Report will be published within three months of the year end of the Fund. The Managers will also make available to the Investors a half yearly report for the interim six-month period. The information will be published on the Manager's website (www.ceybank.com). Unit Holders could also request a hard copy of the annual report to be mailed to them by making a written request to the Manager.

3.4 RULES & REGULATIONS

All the operations of the **Ceybank High Yield Fund** will be subject to the provisions of the Securities and Exchange Commission Act, Unit Trust Code, Unit Trust Regulations and the general directives issued by the Securities and Exchange Commission from time to time.

3.5 CONSTITUTION OF THE TRUST DEED

Ceybank High Yield Fund is constituted by a Trust Deed between Ceybank Asset Management Ltd, as the Fund Manager and National Savings Bank, as the Trustee. The Trust Deed is constituted under the laws of the Democratic Socialist Republic of Sri Lanka. In the event of any inconsistency between this Explanatory Memorandum and the Trust Deed, the provisions of the Trust Deed shall prevail.

3.6 APPROVAL OF THE SECURITIES AND EXCHANGE COMMISSION

The Securities and Exchange Commission has approved this Explanatory Memorandum as suitable for distribution among prospective investors of the **Ceybank High Yield Fund**.

3.7 DATE OF THIS EXPLANATORY MEMORANDUM

This Explanatory Memorandum is dated 1st November 2017

DECLARATION BY THE TRUSTEES AND THE MANAGEMENT COMPANY

Declaration by the Trustees and Management Company as per SEC circular 02/2009 on Guidelines for Trustees and Management Companies of Unit Trust Funds.

NATIONAL SAVINGS BANK the Trustee and CEYBANK ASSET MANAGEMENT LTD the Managers of Ceybank Unit Trust Funds hereby declare that,

1. the transactions were and will be carried out at arms length basis and on terms which are best available for the Fund, as well as act, at all times, in the best interest of the Fund's Unit holders.
2. the requirements of the Guidelines for Trustees and Management Companies of Unit Trust Funds set out by the Securities & Exchange Commission of Sri Lanka, have been complied with during the year.

sgd
Director
Ceybank Asset Management Ltd

sgd
Trustee
National Savings Bank

FOR FOREIGN INVESTORS - SECURITIES INVESTMENT ACCOUNT (SIA)

With the Sri Lanka Government's liberal policy on investments, both Local and Foreign Investors are permitted to invest in unit trusts. Foreign investors can repatriate their investments and income through a specialized Securities Investment Account (SIA).

The process is as follows

1. Open a Securities Investment Account (SIA) with any Licensed Commercial Bank in Sri Lanka

All non-national investors are required to open a **Securities Investment Account (SIA)** with any Licensed Commercial Bank in Sri Lanka. By investing through a SIA, investors are permitted to invest and repatriate investments in any currency without violating any exchange control regulations and will not be subject to any taxes.

You may contact Bank of Ceylon (BOC) for easy opening of the SIA:

The Manager
BOC Personal Branch
1st Floor Head Office
Colombo 1 - Sri Lanka
Tel: + 94 11 2321174
Fax: + 94 11 2391980
E Mail: boc681@boc.lk

Download - <http://web.boc.lk/assets/pdf/AppPorJoint.pdf>

2. Complete Ceybank Funds Application

Individuals/ Institutions – Download -(www.cebys.com/pdf/cebys_application.pdf)

Please complete the Application:

Bank Details: Please specify the SIA Account details under this, all redemptions and dividend payments will be credited to this bank account at all times.

Each Application should accompany the following documents:

- (a) **Individual/ Joint Accounts - copy of Passport of each individual**
- (b) **Minor Account - Copy of Birth Certificate of Minor and Passport copy of the parent/legal guardian**
- (c) **Corporate/Institutional - Copy of the Business Registration Certificate, Board Resolution, Constitution and/or Articles of Association, copies of Passports of the Directors**

3. Authorisation to Ceybank AML to effect investment instruction from SIA

Please provide a letter of authorization to Ceybank AML in order to effect the investment to Ceybank High Yield Fund from SIA Account, or you could directly instruct the Sri Lankan Bank where the SIA Account is opened to transfer funds to the "Ceybank AML" at the time you wish to invest.

4. Transfer Funds to SIA

Transfer the amount you wish to invest to your SIA Account and inform Ceybank AML by email/fax on the Fund and amount you wish to invest with each of the "Ceybank Funds".

If you wish to instruct the Sri Lankan Bank where the SIA Account is opened, directly, please ensure the bank transfers money to the following Collection Account at the Bank of Ceylon, Metropolitan branch:

Ceybank Asset Management Ltd A/c No. 8223

The transfer should be followed with an advice to Ceybank AML

5. Withdrawals

Instruction to Ceybank AML

Please forward your withdrawal instruction by fax/e-mail to Ceybank AML.

Upon receipt of your instruction Ceybank AML shall redeem your investments in "Ceybank High Yield Fund" and transfer to your SIA Account

Repatriation from SIA

Please instruct your Sri Lankan Bank of the SIA Account to transfer the amount you wish to repatriate to your preferred Bank Account.

Glossary of Terms

"**Authorized Investment**" means any Investments generally or specifically permitted by this Deed, the Unit Trust Code and any directions given by the Commission from time to time and may include:

- (a) Those selected by the Manager with the general or specific consent of the Trustees for the purpose of investment of the Deposited Property.
- (b) Any deposit in Commercial Banks, Licensed Specialized Banks, Finance or Leasing Companies licensed by the Central Bank of Sri Lanka.
- (c) Treasury bills/ Bonds or any other Government or Central bank Securities. Securities Guaranteed by the Government of Sri Lanka and Repurchase agreements in relation to such bills, bonds or securities.
- (d) Corporate Debt
- (e) Any other Investment permitted by the Commission and approved by the Trustee in writing.

"**Commission**" means the Securities and Exchange Commission of Sri Lanka established by the Securities and Exchange Commission of Sri Lanka Act No. 36 of 1987.

"**Colombo Stock Exchange**" means the stock exchange in Sri Lanka for secondary market trading in Equity and Debt securities.

"**Custodian**" means a custodian appointed by the Trustee in consultation with the Manager to hold securities belonging to the Fund in their custody on behalf of the Trustee.

"**Custodian fees**" means the only payment to be received by the Custodian out of the deposited property as remuneration for the services rendered.

"**Dealing Day**" means a day on which the banks are generally open for business in Sri Lanka whereby a Unit Holder could effect subscription for units and redemption of units.

"**Explanatory Memorandum**" means the document containing information of a unit trust inviting members of the public to subscribe to or purchase units in the unit trust.

"**Fixed Income Securities**" means debt obligations issued by the Government of Sri Lanka, its Agencies, the Central Bank of Sri Lanka and Corporate Entities. This includes mortgage-backed securities, asset-backed securities, bank deposits and repurchase agreements (REPO)

"**Front-End Fee**" means the difference between the issue price and the portion of the proceeds from the sale of a unit which is received by the Manager.

"**Fund**" means a Unit Trust constituted by a Trust Deed between the Manager and the Trustee, with the approval of the Commission.

"**Manager**" or "**Fund Manager**" means a managing company licensed to operate a unit trust under the Securities and Exchange Commission of Sri Lanka Act No. 36 of 1987 as amended.

"**Managers Buying Price**" means the sum the Manager would require to pay the Unit Holder for redeeming one unit

"**Managers Selling Price**" means the sum the Manager would require the Unit Holder to pay for the issue of one unit.

"**Management Fee**" means the payment to be made to the Manager by the Trustee out of the deposited property as remuneration for the services rendered.

"**Money Market**" means a market where securities with a maturity of less than one year are transacted.

"**Money Market Fund**" means a unit trust whose aim maximise short term current income whilst ensuring ease of liquidity by investing in a portfolio of Money Market Instruments.

"**Money Market Instruments**" means securities such as government securities (treasury bills and treasury bonds), bank deposits, repurchase agreements and corporate debt instruments with maturities less than one year,

"**Net Asset Value**" or "**Deposited Property**" means all the net assets for the time being held or deemed to be held by the trustee on behalf of the unit trust and subject to the provisions of the Trust Deed.

"**Net Asset Value per unit**" means the Net Asset Value divided by the number of units in issue

"**Open End Unit Trust**" means a unit trust, which after the initial offer period continues to issue new units and redeem units in issue, until the liquidation of the fund.

"**Redemption**" means the purchase of units from a unit holder by the Manager as principal and "redeem" and "redemption price" shall be construed accordingly.

"**Trust Deed**" is the deed between Ceybank Asset Management Ltd as Manager and National Savings Bank as Trustee, that form of the unit trusts called "Ceybank High Yield Fund".

"**Trustee**" means a Trustee who has been approved by the Commission.

"**Trustee Fee**" means the only payment to be received by the Trustee out of the deposited property as remuneration for the services rendered.

"**Unit**" means one undivided share in the Fund.

"**Unit Holder**" means the person who is entered in the Register as the Holder of a Unit at a given point of time and includes persons so entered as joint Holders.

"**Unit Trust Code**" means the Unit Trust Code framed by the Commission under the Securities and Exchange Commission of Sri Lanka Act No.36 of 1987 and any amendments made thereto.

Corporate Directory

FUND MANAGER AND REGISTRAR

Ceybank Asset Management Ltd
85 York Street
Colombo 1, Sri Lanka
Tel: 94-(11) 7602000-2 Fax: 94-(11) 232 7203

TRUSTEE

National Savings Bank
255 Galle Road,
Colombo 3, Sri Lanka
Tel: 94-(11) 2467702, Fax: 94-(11) 2565219

CUSTODIAN

Bank of Ceylon
Ceybank Investment Centre
11th Floor, BOC Headquarters
4 Bank of Ceylon Mawatha
Colombo 1
Te: 94-(11) 2448348 Fax: 94-(11) 2346842

THE SHAREHOLDERS OF THE FUND MANAGER

Bank of Ceylon
Sri Lanka Insurance Corporation Ltd
Carson Cumberbatch PLC
Unit Trust of India

BOARD OF DIRECTORS OF THE FUND MANAGER

Mr P S C Pelpola - Chairman
Mr C Sathkumara - Executive Director
Mr D M Gunasekera - Nominee, Bank of Ceylon
Mr W P R Fonseka - Nominee, Bank of Ceylon
Mr P A Liyanamana - Nominee, Sri Lanka Insurance
Ms E M M Tennakoon - Nominee, Sri Lanka Insurance
Mr B Babu Rao - Nominee, Unit Trust of India
Mr Ajith Weeratunga - Nominee, CarsonCumberbatch PLC

Mr N Menerapitiya - Alternate Director to Mr D M Gunasekera
Mr U D Liyanagamage - Alternate to Mr P A Liyanamana
Mr R D M U M M Bandara - Alternate to Ms E M M Tennakoon

AUDIT & COMPLIANCE COMMITTEE OF THE FUND MANAGER

Mr D M Gunasekera
Mr Ajith Weeratunga

COMPANY SECRETARIES TO THE FUND MANAGER
CARSONS MANAGEMENT SERVICES (PVT) LTD
61 Janadhipathi Mawatha
Colombo 1, Sri Lanka

AUDITORS TO THE FUND MANAGER
ERNST & YOUNG
Chartered Accountants
201 De Saram Place
Colombo 10, Sri Lanka

AUDITORS TO THE FUND
SJMS Associates
Chartered Accountants
11, Castle lane
Colombo 4, Sri Lanka

TAXATION ADVISOR TO THE FUND
ERNST & YOUNG
Chartered Accountants
201 De Saram Place
Colombo 10, Sri Lanka

LAWYERS TO THE FUND MANAGER

F. J. & G. DE SARAM
Attorneys-at-Law
216 De Saram Place
Colombo 10, Sri Lanka

NITHYA PARTNERS
Attorneys-at-Law
97 A Galle Road
Colombo 3, Sri Lanka

BANKERS

Bank of Ceylon - Metropolitan Branch
York Street
Colombo 1, Sri Lanka

Bank of Ceylon - Corporate Branch
1, Bank of Ceylon Mawatha
Colombo 1, Sri Lanka

BENEFITS OF INVESTING IN UNIT TRUSTS

Diversification

A Unit Trust invests in a variety of investments depending on the Fund's particular objective. This broad exposure helps spread and reduce the risks. Investments in an Equity Fund, for example, are often diversified into the shares of twenty to thirty companies. An individual's personal share portfolio would generally consist of shares in perhaps three or four companies. In the case of a Bond Fund, the investment portfolio usually consists of bonds issued by twenty different issuers, whereas an individual may by himself be able to invest only in just one single bond issue. Investing in Unit Trust Funds would, therefore, be one way of giving life to the adage "Don't put all your eggs in one basket".

Professional Management

An experienced fund management team ensures that a Unit Trust Fund's investment strategies remain consistent with that Fund's objectives. For example, if the Fund's objective is to provide regular income, the fund's investments would be in instruments which are likely to fulfil that aim.

Fund Managers have better access to research material and independent market analyses which are normally not readily available to the general public. An individual investor on his own may not be able to make a fully informed decision if he is investing directly into the capital market himself.

Liquidity

As a unit holder, you can sell your units at any time by simply sending a written redemption request to the Fund manager by fax or by some other convenient means. Unlike direct investment in stocks, bonds or properties where you have to find an interested buyer, the Manager is obliged to repurchase your units upon requested by you, at the prevailing price.

Convenience

Transactions may be executed on any working day before a specific cut off time. Additionally, there is generally a ready supply of units from the approved size available. Units of unit trust funds are more readily available. On the other hand, the buying and selling of stocks and bonds by an individual depend very much on the supply and demand factors which control the capital markets.

Low & Affordable Capital outlay

Yet another distinct benefit of investing in unit trust funds is the low capital outlay required. Generally, a small initial capital of Rs 1,000 can be invested in a portfolio of many securities held by a unit trust fund as compared to a usually higher sum needed by an individual for investing directly into the capital markets.