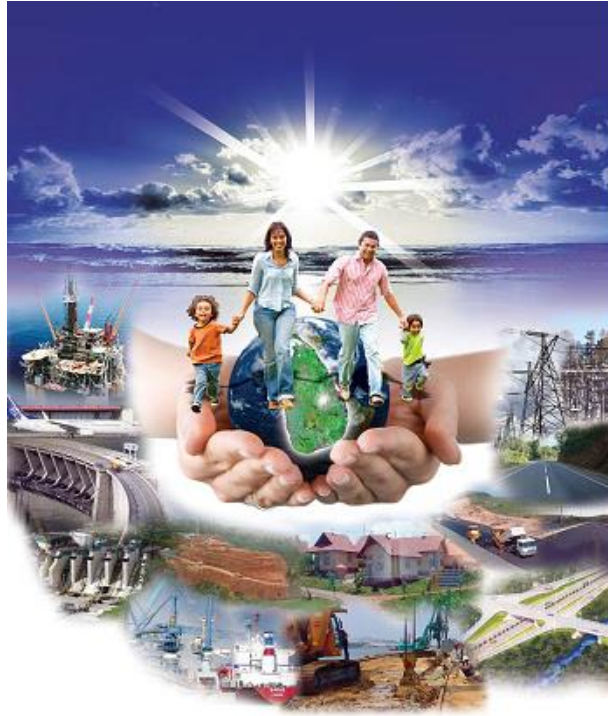


Ceybank Unit Trust Funds

Licensed by the Securities and Exchange Commission of Sri Lanka



EXPLANATORY MEMORANDUM

Fund Managers



85 York Street
Colombo 1
Sri Lanka

Tel: 94-11-7602000 Fax: 94-11-7604000
Email: info@ceybank.com Website: www.ceybank.com

Trustee



Custodian



This Memorandum is dated 1st July 2017

IMPORTANT

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

Units of **Ceybank Unit Trust Funds** are 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 each respective 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 - SEC/LEG/14/09/71

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.

SALE AND REDEMPTION OF UNITS

All enquiries about the **Ceybank Unit Trust Funds** should be directed to the Fund Manager

CEYBANK ASSET MANAGEMENT LTD

85 York Street
Colombo 1`
Sri Lanka
Tel: 94 -11-7602000-2
Fax: 94-11-7604000
Email: info@ceybank.com

Units of the **Ceybank Unit Trust Funds** 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 (Negambo) - 0312228070	Colombo South (Nugegoda) - 0710662046
Jaffna - 0212217644	Kandy - 081 2202861
Galle - 0912235570	Kurunegala - 0372052521

iii **BANK OF CEYLON BRANCHES**

1. Ceybank Unit Trust Funds

- 1.1 Introduction
- 1.2 Funds at a glance
- 1.3 The Manager and the Registrar
- 1.4 The Trustee
- 1.5 The Custodian
- 1.6 Investment Risks
- 1.7 Investment Restrictions
- 1.8 Liquidity
- 1.9 Borrowing powers
- 1.10 Fee structure
- 1.11 Distribution of Income

2. Issue and Redemption of Units under this Memorandum

- 2.1 Who can Invest
- 2.2 Purchasing Units
- 2.3 How to Invest
- 2.4 Evidence of Ownership of Units
- 2.5 Distribution of Income
- 2.6 Redemption of Units of the Fund
- 2.7 Switching between Funds
- 2.8 Transfer of Units
- 2.9 Valuation of Units
- 2.10 Dealing Information
- 2.11 Currency Denomination

3. General Information

- 3.1 Rights of Unit Holders
 - 3.2 Taxation
 - 3.3 Reports and Accounts
 - 3.4 Rules & Regulations
 - 3.5 Constitution of the Trust Deed
 - 3.6 Approval of the Securities and Exchange Commission
 - 3.7 Date of this Explanatory Memorandum
 - 3.8 Declaration by the Trustee & Management Company
 - 3.9 Foreign Investors - Securities Investment Account (SIA)
- Glossary of terms
 - Corporate Directory
 - Benefits of investing in Unit Trusts

1. CEYBANK UNIT TRUST FUNDS

1.1 INTRODUCTION

Ceybank Unit Trust Funds are a group of Funds managed by Ceybank Asset Management Ltd., providing investment opportunities for investors across the risk/ return spectrum in the Sri Lankan Capital and Money Markets.

The Following Unit Trust Funds are offered under this Memorandum

Ceybank Century Growth Fund	- <i>Growth Fund</i>
Ceybank Unit Trust	- <i>Income & Growth</i>
Ceybank Savings Plus Money Market Fund	- <i>Money Market Fund</i>
Ceybank Surakum Fund	- <i>Gilt Edge Fund</i>
Ceybank Gilt Edge Fund (A series)	- <i>Gilt Edge Fund</i>

The Funds offered under this Memorandum are open ended Unit Trusts and available for subscription on a continuous basis. The Managers will accept applications for the issue of units at the prevailing offer price per unit.

Details of each Fund are given in the following pages.

The Manager has been authorized by the Securities and Exchange Commission of Sri Lanka (SEC) to operate Unit Trust Funds and Manage other Investment Portfolios, by the power vested in them through the SEC Act No.36 of 1987 as amended.

Fund Name	Ceybank Century Growth Fund	Ceybank Unit Trust Fund	Ceybank Savings Plus Money Market Fund	Ceybank Surakum Gilt Edge Fund	Ceybank Gilt Edge Fund (A series)
Fund Category	Growth	Income & Growth	Money Market	Gilt Edge	Gilt Edge
Fund Objective	Capital Growth	Capital Growth & Income	Income	Income	Income
Trustee	National Savings Bank	National Savings Bank	National Savings Bank	National Savings Bank	National Savings Bank
Custodian	Bank of Ceylon	Bank of Ceylon	Bank of Ceylon	Bank of Ceylon	Bank of Ceylon
Date of Launch	3 rd December 1996	25 th March 1992	22 nd June 2009	8 th December 2010	26 th January 2016
Risk Barometer	High	Medium to High	Low	Low	Low
Minimum Initial Investment	Rs 1,000/-	Rs 1,000/-	Rs 1,000/-	Rs 1,000/-	Rs 1,000/-
Minimum Additional Investment	Rs 1,000/	Rs 1,000/-	Rs 1,000/-	Rs 1,000/	Rs 1,000/-
Initial selling Price	Rs 10/-	Rs 10/-	Rs 10/-	Rs 10/-	Rs 10/-
Valuation Method	Marked to Market basis	Marked to Market basis	Cost + Accrued Interest basis	Marked to Market basis	Cost + Accrued Interest basis
<u>Fees & Charges</u>					
Front End Fee	3.00%	5.00%	0	0	0
Exit Fee	0	0	0	0	0
Management Fee	1.650% p.a.	1.650% p.a.	0.750% p.a.	0.500% p.a.	0.500% p.a.
Trustee Fee	0.250% p.a.	0.250% p.a.	0.150% p.a. *	0.150% p.a. *	0.150% p.a. *
Custodian Fee	0.085% p.a.	0.085% p.a.	Rs 7,000 p.m.	Rs 7,000 p.m.	Rs 12,000 p.m.

* The effective Trustee fees for Ceybank Savings Plus Money Market Fund, Ceybank Surakum Gilt Edge Fund and Ceybank Gilt Edge Fund (A series) will be as follows, and dependant on the Net Asset Value of the Fund.

- 0.150% 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

1.2 FUNDS AT A GLANCE

Ceybank Century Growth Fund

Fund Structure	
Type of Fund	Growth Fund
Nature of the Fund	Open-Ended
Investment Objective & Strategies	To achieve high level of capital growth in the medium to long term by investing in companies listed on the Colombo Stock Exchange. **
Dealing Information	
Launch date	3 rd December 1996
Investment	Daily on dealing days
Investment Price	Manager's Selling Price on the dealing day
Minimum Initial Investment	Rs 1,000/-
Valuation	Market based valuation, done daily on dealing days
Currency denomination	Sri Lanka Rupees (LKR)
Dividends	At Managers discretion
Financial Year end	31 st March
Reporting	Annual and Half yearly
Specific investment restrictions	Fund does not invest in Corporate Debt (also refer 1.7)
Fees & Charges	
Front - End Fee	3.00% p.a. of the Net Asset Value
Exit Fee	None
Management Fees	1.650% p.a. on the Net Asset Value of the Fund
Trustee Fees	0.250% p.a. on the Net Asset Value of the Fund
Custodian Fees	0.085% p.a. on the Net Asset Value of the Fund
Taxes	Taxes payable by the Fund & the Investor will be based on the prevailing Government tax policy.
Fund Administration	
Fund Manager	Ceybank Asset Management Ltd
Trustee	National Savings Bank
Custodian	Bank of Ceylon

Ceybank Unit Trust Fund

Fund Structure

Type of Fund	Income & Growth
Nature of the Fund	Open-Ended
Investment Objective & Strategies	To achieve medium to long term capital growth whilst providing regular income. Fund Invests in listed Equities, Government and Corporate Debt securities. **

Dealing Information

Launch date	25 th March 1992
Investment	Daily on dealing days
Investment Price	Manager's Selling Price on the dealing day
Minimum Initial Investment	Rs 1,000/-
Valuation	Market based valuation, done daily on dealing days
Currency denomination	Sri Lanka Rupees (LKR)
Dividends	At Manager's discretion
Financial Year end	31 st March
Reporting	Annual and Half yearly

Investment restrictions refer 1.7

Fees & Charges

Front End Fee	5% of the Net Asset Value
Exit Fee	None
Management Fees	1.650% p.a. on the Net Asset Value of the Fund
Trustee Fees	0.250% p.a. on the Net Asset Value of the Fund
Custodian Fees	0.085% p.a. on the Net Asset Value of the Fund

Taxes Taxes payable by the Fund & the Investor will be based on the prevailing Government tax policy.

Fund Administration

Fund Manager	Ceybank Asset Management Ltd
Trustee	National Savings Bank
Custodian	Bank of Ceylon

Ceybank Savings Plus Money Market Fund

Fund Structure	
Type of Fund	Money Market Fund
Nature of the Fund	Open-Ended
Investment Objective & Strategies	Maximise short term current income whilst ensuring ease of liquidity by Investing in Government and Corporate Debt securities, with maturities less than one year.
Dealing Information	
Launch date	22 nd June 2009
Investment	Daily on dealing days
Investment Price	Manager's Selling Price on the dealing day
Minimum Initial Investment	Rs 10,000/-
Valuation	Cost plus accrued Interest, done daily on dealing days
Currency denomination	Sri Lanka Rupees (LKR)
Dividends	At Manager's discretion
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	0.750% p.a. on the Net Asset Value of the Fund
Trustee Fees *	0.150% p.a. on the Net Asset Value of the Fund
Custodian Fees	Rs 7,000 per month
Taxes	Taxes payable by the Fund & the Investor will be based on the prevailing Government tax policy.
Fund Administration	
Fund Manager	Ceybank Asset Management Ltd
Trustee	National Savings Bank
Custodian	Bank of Ceylon
<p>* The effective Trustee fees for Ceybank Savings Plus Money Market Fund will be, dependant on the Net Asset Value of the Fund as follows.</p> <ul style="list-style-type: none">- 0.150% 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	

Ceybank Surakum (Gilt Edge) Fund

Fund Structure

Type of Fund	Gilt Edge Fund
Nature of the Fund	Open-Ended
Investment Objective & Strategies	Maximise current income whilst ensuring ease of liquidity. Fund invests in Government and Government guaranteed securities.

Dealing Information

Launch date	8 th December 2010
Investment	Daily on dealing days
Investment Price	Manager's Selling Price on the dealing day
Minimum Initial Investment	Rs 1,000/-
Valuation	Market based valuation, done daily on dealing days
Currency denomination	Sri Lanka Rupees (LKR)
Dividends	At Manager's discretion
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	0.500% p.a. on the Net Asset Value of the Fund
Trustee Fees*	0.150% p.a. on the Net Asset Value of the Fund
Custodian Fees	Rs 7,000/- per month

Taxes

Taxes payable by the Fund & the Investor will be based on the prevailing Government tax policy.

Fund Administration

Fund Manager	Ceybank Asset Management Ltd
Trustee	National Savings Bank
Custodian	Bank of Ceylon

* The effective Trustee fees for Ceybank Surakum Gilt Edge Fund will be, dependant on the Net Asset Value of the Fund as follows.

- 0.150% 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

Ceybank Gilt Edge Fund (A Series)

Fund Structure	
Type of Fund	Gilt Edge Fund
Nature of the Fund	Open-Ended
Investment Objective & Strategies	Maximise short term current income whilst ensuring ease of liquidity. Fund invests in Government securities and Repos backed by Government securities, with maturities less than one year.
Dealing Information	
Launch date	26 th January 2016
Investment	Daily on dealing days
Investment Price	Manager's Selling Price on the dealing day
Minimum Initial Investment	Rs 1,000/-
Valuation	Cost plus accrued Interest, done daily on dealing days
Currency denomination	Sri Lanka Rupees (LKR)
Dividends	At the Manager's discretion
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	0.500% p.a. on the Net Asset Value of the Fund
Trustee Fees*	0.150% p.a. on the Net Asset Value of the Fund
Custodian Fees	Rs 7,000/- per month
Taxes	Taxes payable by the Fund & the Investor will be based on the prevailing Government tax policy.
Fund Administration	
Fund Manager	Ceybank Asset Management Ltd
Trustee	National Savings Bank
Custodian	Bank of Ceylon
<p>* The effective Trustee fees for Ceybank Gilt Edge Fund (A series) will be, dependant on the Net Asset Value of the Fund as follows.</p> <ul style="list-style-type: none">- 0.150% 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	

1.3 THE MANAGER AND THE REGISTRAR

Ceybank Asset Management Ltd, (Ceybank AML) having its registered office at the “Hemas Building” 85 York Street, Colombo 1, Sri Lanka, is the Manager for the **Ceybank Unit Trust Funds**.

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.

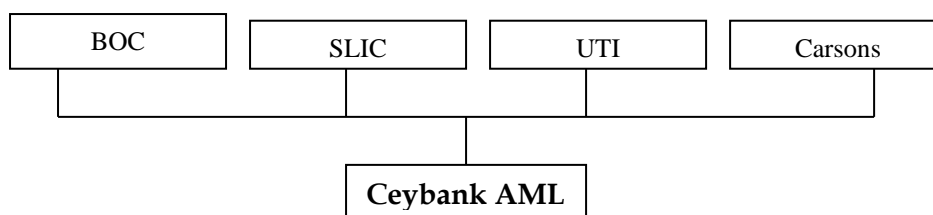
Shareholders of Ceybank AML are

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 Unit Trust Funds is **National Savings Bank (NSB)**. NSB is wholly owned by the Government of Sri Lanka and the largest Savings Bank in Sri Lanka (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 which stand at over Rs 650 billion.

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 make investments (such as Master Repurchase agreements, Account opening forms, Customer agreements 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 Unit Trust Funds. (www.boc.lk)

Bank of Ceylon is the largest State sector Commercial bank in Sri Lanka, recognized as Sri Lanka's number 1 brand by Brand Finance Lanka. With total assets exceeding Rs 1.7 trillion, BOC serves more than 11 million customers. 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.

1.6 INVESTMENT RISKS

Investors should be aware that the price of units of these Funds and the dividend paid by the Funds 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 Equity Markets and individual stock prices, 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 Funds can be subject to the following risks depending on the assets owned by the specific Fund.

- **Equity Market Risk:** The movement of the value of individual stocks the Fund owns may go up or come down depending on the performance of the companies that issued them, general stock market, economic and political conditions.
- **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.
- **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.
- **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 a Fund will be indicated in the Fact sheet of that respective Fund found under clause 1.2

The Funds 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) investment 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 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.

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;

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 following fees are payable based on each respective Fund and are common to all Funds. Any other specific fee payable (if applicable) has been disclosed on each respective Fund fact sheet found on pages 7 to 11 of this memorandum.

Fees chargeable to the Fund

- Management Fee
- Trustee Fee
- Custodian Fee

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

- (a) Brokerage.
- (b) 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.
- (c) Auditor's fees and expenses.
- (d) Cost incurred or to be incurred in the preparation and modification of the Trust Deed.
- (e) Cost incurred to enable the Trust to comply with legislation or other official requirements.
- (f) All professional fees incurred in connection with matters pertaining to the affairs of the Trust.
- (g) All taxes and other duties payable in the establishment, execution, management or termination of the Trust.
- (h) 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 etc.
- (i) All costs incurred in respect of dividend distribution.
- (j) 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

The dividend distribution policy may differ from one Fund to another. Funds may distribute all or part of the net income and realized capital gains to its Unit Holders. The Frequency of distributions can be found on the Fact sheet of each Fund.

2. ISSUE & REDEMPTION OF UNITS UNDER THIS MEMORANDUM

2.1 WHO CAN INVEST?

Investment in the **Ceybank Unit Trust Funds** 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 24 of this memorandum.

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

2.2 PURCHASING UNITS

Ceybank Unit Trust Funds are 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 Agent 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 Unit Trust Funds** an applicant should complete an Application form along with proof of identity or in the case of corporate 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/her 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".

The mailing address is:

Ceybank Asset Management Ltd
85 York Street
Colombo 1
Sri Lanka

Email: info@ceybank.com

The minimum initial subscription for units of each Fund could be different and is specified on the fact sheet of each Fund.

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.

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/Custodian
- (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 of a value of Rs 1,000/- and above 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).

Cash 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.

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 Unit Trust Funds** 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 Unit Trust Funds** 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 the valuation 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 Unit Trust Funds** 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 each respective 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).

3.4 RULES & REGULATIONS

All the operations of the **Ceybank Unit Trust Funds** 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 Unit Trust Funds are constituted by separate Trust Deeds for each respective Fund between Ceybank Asset Management Ltd, as the Fund Manager and National Savings Bank, as the Trustee. The Trust Deeds are 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 Unit Trust Funds**.

3.7 DATE OF THIS EXPLANATORY MEMORANDUM

This Explanatory Memorandum is dated 1st July 2017

3.8 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.

Director
Ceybank Asset Management Ltd

Trustee
National Savings Bank

1st July 2017

3.9 FOR FOREIGN INVESTORS - SECURITIES INVESTMENT ACCOUNT (SIA)

With the Sri Lankan 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 advised 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.ceb.com/pdf/ceb_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/ Guardian**
- (c) **Corporate/Institutional - Copy of the Business Registration Certificate, Board Resolution, Constitution and/or Articles of Association, copies of NIC /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 Funds 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 Funds" 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.

For further assistance call Mr Kumudu Kekirideniya on +94 11 7602007

Glossary of Terms

"**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 only stock exchange in Sri Lanka for secondary market trading in equity 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/ financial markets 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.

"**Front-End Fee**" means 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.

"**Gilt-Edged Fund**" means a unit trust that invests only in several different types of government securities.

"**Growth Fund**" means a unit trust whose aim is to achieve capital appreciation by investing primarily in equity securities.

"**Income & Growth Fund**" means a unit trust that invests in a combination of equity and bonds with a view to provide both income and capital appreciation while avoiding excessive risk.

"**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,

“Marked to Market” is to value securities based on the prevailing market value of the security.

“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/s between Ceybank Asset Management Ltd as Manager and National Savings Bank as Trustee, that form of the unit trusts called “Ceybank unit Trust Funds”. Each unit trust Fund is constituted by a separate Trust Deed.

“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) 2683095

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 Senarath Bandara - Nominee, Bank of Ceylon
Mr D P K Gunasekara - Nominee, Bank of Ceylon
Mr Malaka Bandara - Nominee, Sri Lanka Insurance
Ms Vasantha Govindan - Nominee, Unit Trust of India

Mr M P Ruwan Kumara - Alternate Director to Mr Senarath Bandara

AUDIT & COMPLIANCE COMMITTEE OF THE FUND MANAGER

Mr Senarath Bandara
Mr Malaka Bandara

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 FUNDS

BDO Partners
Chartered Accountants
Charter House
65/2, Sir Chittampalam A Gardiner Mawatha
Colombo 2, Sri Lanka

SJMS Associates
Chartered Accountants
11, Castle lane
Colombo 4, Sri Lanka

TAXATION ADVISOR TO THE FUNDS

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 "Dont 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.