



namal
BANK FUND

Explanatory Memorandum

NAMAL Bank Fund

The NAMAL Bank Fund (the "Fund") is an open-ended equity Unit Trust managed by National Asset Management Limited (the "Manager" or "NAMAL") and operated under a licence issued by the Securities and Exchange Commission of Sri Lanka ("SEC").

Investment Objective

The main investment objective of the Fund is to achieve long term capital appreciation by investing in a portfolio of listed bank shares.

Investment Strategy

The Fund's investment strategy will be to invest in a portfolio of listed bank shares. In the initial portfolio strategies construction phase, it is anticipated that a high proportion of the Fund will be in fixed income securities. After which, the Manager will invest a minimum of 40% in equity. When equity markets are believed to be overvalued, the Manager expects to liquidate equity investments, subject to minimum 40% investment in equity and utilize the proceeds of such liquidation to invest in fixed income government securities or bank deposits in order to preserve invested capital and generate distributable income whilst reducing market risk to the Fund.

Authorized Investments

Any investment permitted under the trust deed executed on 22nd August 2019 between the Manager and Hatton National Bank PLC (HNB) ("the Trustee") in connection with the Fund ("Trust Deed") and the Unit Trust Code of 2011 made by the SEC under the Securities and Exchange Commission of Sri Lanka Act No 36 of 1987 as amended or modified from time to time or replaced by any other rules made by the SEC to apply to unit trusts ("Unit Trust Code"), and any directions and guidelines given by the SEC from time to time and includes:

- a) Listed shares in licensed commercial banks and licensed specialized banks;
- b) Treasury bills/bonds and other securities issued by the Government of Sri Lanka and repurchase agreements in that regard; and
- b) Deposits in licensed commercial banks or licenced specialised banks;

Investment Restrictions

The Fund will make investments within the parameters set out by the SEC subject to the Unit Trust Code and changes made from time to time under the directives and guidelines issued by the SEC. The main investment restrictions would be:

- a) Any investment in securities which are not issued by licensed commercial banks or licenced specialised banks;
- b) A level of liquidity amounting to not less than three per centum (3%) of the total value of the Fund in the form of cash or near cash, shall be maintained at all times.

Asset Allocation

Type of Investments	Allocation	Risk
Equity	Maximum 97% / Minimum 40%	High
Cash or near cash	Minimum 3%	Low

The term “near cash” for purposes hereof means investments such as bank/call deposits, repurchase agreements with maturities of less than 3 months, commercial paper endorsed or guaranteed by a licensed Commercial bank or licensed specialized bank with maturities of less than 3 months and government securities including government bonds with maturities of less than one year which can be readily convertible into cash.

Distribution of Income

The Fund may distribute at the discretion of the manager all or part of the realized income and gains to its Unit Holders.

Risk Factors

The Fund Assets will be invested mainly in listed shares of Banks. Investment in listed shares carries the risk of capital depreciation especially in the event of fluctuations in the stock market. Further, changes in government law / policies, taxation, economic conditions and contributory environmental factors may have an unfavourable effect on the financial sector.

As such the ability of the Fund to achieve its investment objectives will largely depend on the overall performance of equity investments and also market interest rates.

Profiles of the Manager and the Trustee

NAMAL will act as the manager of the Fund. NAMAL will also act as the registrar to the Fund. NAMAL is the first managing company to be licensed by the SEC to manage units trusts in Sri Lanka and has an experienced fund management, administration and compliance team.

NAMAL is owned by Union Bank of Colombo PLC (51%), DFCC Bank (30%) and Ennid Capital (Pvt) Ltd (19%). NAMAL commenced business in 1991 as the pioneer unit trust management company in Sri Lanka.

NAMAL currently manages six unit trusts and private portfolios for institutional and corporate clients. NAMAL manages Rs. 5,575 Million in unit trusts and Rs. 2,624 Million in private portfolios as at 31st March 2019.

Key Personnel of NAMAL

Mr. Rusiru Abeyasinghe, Director / Chief Executive Officer

Possessing experience across multiple asset classes, Mr. Abeyasinghe has a substantial track record of achievement. Prior to joining NAMAL, Mr. Abeyasinghe worked at DPMC Assetline Holdings (Pvt) Limited (DPAH), where he served as Chief Operations Officer.

Mr. Abeyasinghe served as the Head of Investments at Phoenix Ventures (Pvt) Limited (PVL), which is the parent company of Brandix Lanka Limited and Phoenix Industries Limited. At PVL Mr Abeyasinghe managed a diverse portfolio of assets consisting of listed equity, fixed income, private equity and real estate. He also served as a nominee Director of PVL at Saffron Aviation (Pvt) Ltd, the operator of Cinnamon Air. Mr. Abeyasinghe holds an MBA from the Cardiff Metropolitan University and is also an Associate Member of the Chartered Institute of Management Accountants (UK).

Mr. Charana Jayasuriya, Chief Operating Officer

Mr. Jayasuriya has over 18 years of experience in the capital markets of Sri Lanka and United Kingdom in asset management, investment banking and financial regulation. Prior to joining NAMAL, Mr. Jayasuriya was Fund Manager for Aegis Fund Management (Pvt) Ltd managing the funds of DCSL Group, including Sri Lanka Insurance Corporation Ltd specialising in fixed income and foreign currency.

Mr. Jayasuriya holds a LLB (Hons) Law and LLM in Banking & Finance Law from University College London and completed the Advanced Asset Management Programme at INSEAD and The Oxford Fintech Programme from Said Business School, University of Oxford.

Board of Directors

Mr. Alexis Lovell –Chairman
Mr. Indrajit Wickramasinghe
Mr. Wijenanda Dambawinne
Mr. Malinda Samaratunga
Mr. Tyrone De Silva
Mr. Kapila Nanayakkara
Mr. Suren Madanayake
Ms. Khoo Siew Bee
Mr. Rusiru Abeyasinghe

Trustee & Custodian

Hatton National Bank PLC (HNB) Custody & Trustee Services will act as the trustee and custodian of the Fund.

General Information

Who May Invest

- 1) Citizens of Sri Lanka, companies and institutions incorporated in Sri Lanka.
- 2) Foreign institutional investors, corporate bodies incorporated outside Sri Lanka and individual's resident outside Sri Lanka may invest via an Inward Investment Account (IIA) opened with any licensed commercial bank in Sri Lanka.

Initial Offer Period

The initial offer period will commence on 25th September 2019 and shall end on 14th October 2019. During the initial offer period, the price of a unit will remain fixed at Rupees Ten (Rs. 10/-) per unit.

The Fund shall reopen for fresh subscriptions immediately after the closure of the initial offer period. Investors may purchase units daily from NAMAL and other designated agents of NAMAL.

Minimum Investment

Applications for units should be for a minimum value of Rs. 1,000/- (inclusive of Front End Fee) and every application for units for a value in excess of Rs. 1,000/- should be for multiples of Rs. 1,000/-.

Application Forms

Copies of this Explanatory Memorandum and application forms can be obtained from NAMAL from time to time.

Payment

You may make payment for units by cheque or bank draft crossed "A/C Payee Only" made payable to "**National Asset Management Limited**". Cash deposits can be made direct to the following bank accounts:

A/C No. 003010531988 – Hatton National Bank PLC Head Office Branch

A/C No. 0080101000006460 – Union Bank of Colombo PLC

or

A/C No. 1030001447 – Commercial Bank of Ceylon PLC, Foreign Branch

Completed application forms together with the cheque/bank draft or deposit slip can be handed over or sent by mail to:

National Asset Management Limited

No.7, Glen Aber Place, Colombo 03.

Company Representatives are not authorized to accept Cash on behalf of National Asset Management Limited.

Allotments

Allotment of units will be made after the monies being realised by Hatton National Bank PLC or the application received at the office of National Asset Management Limited, whichever is later.

Valuation of Units

The price at which investors may subscribe for units after the 'initial offer period', (i.e. after 14th October 2019) or redeem units is calculated on each business day.

In calculating the unit price, the net asset value of the Fund shall be determined by ascertaining the value of the deposited property of the Fund (the "Deposited Property") at the end of the business day (after adjusting for charges and deducting borrowings and accrued fees) and dividing by the number of units in issue.

Redemption of Units

Units can be redeemed with a written request, at the Manager's buying price published on each business day. **Where a unit holder wishes to redeem units which amounts to three per centum (3%) or more of the net asset value of the Fund, such holder shall give the Manager at least 14 day's written notice in advance of the intention to redeem.** An application for redemption can be made at the office of the Manager, by using the prescribed form. In the case of units held jointly and together by any two or more holders, a written request for the redemption of any may be signed by any one of the joint holders.

If the number of remaining units is less than 100 units after such redemption is made, the Manager reserves the right to redeem the remaining proceeds to the investor. Payment of redemption proceeds will be made only to the holder of the units or in the case of a joint holding, the first named holder, by a bank cheque crossed in favour of the unit holder and despatched by ordinary post within 7 business days after the day on which the relevant units are redeemed.

Investors have the option of requesting redemption payments via Central Bank transfer. This service will attract a charge for the specific banking service as per the prevailing bank tariff. Redemption of units is subject to any restrictions imposed by the Unit Trust Code.

Fees and Charges

Front End Fee (included in the issue price)	Management and Trustee Fees (computed daily on the net asset value of the Deposited Property and paid monthly in arrears)			Exit Fee
	Management Fee	Trustee Fee	Custody Fee	
1% of the issue price	1% per annum of the net asset value of the Deposited Property	0.25% per annum of the net asset value of the Deposited Property	Rs.20,000/- per month	1% of the value of the units that are redeemed (Only for redemptions made within one year from the date of issue of units)

Other Operating Expenses

Fees and expenses such as auditor fees, professional fees, legal fees, registrar's fees, taxes and duties, registration charges and all other charges or fees expressly authorized by the Trust Deed or by law, shall be charged to and be payable from and out of the Deposited Property as set out in the Trust Deed.

Borrowing Powers of the Trustee

The Trustee may at any time on the request of the Managers borrow on account of the trust for the purpose of the working capital needs of the Fund. The principal amount of all such borrowing outstanding at any given time shall not exceed Fifteen per centum (15%) of the value of the Deposited Property as stipulated in terms of the Unit Trust Code.

Rights of Unit Holders

1. To redeem subject to the requirements set forth above under the heading "Redemption of Units", all or some units registered in their name.
2. To receive periodical statements, annual accounts and reports of the auditors.
3. To inspect the Trust Deed at the office of the Managers during office hours free of charge. Copies of the Trust Deed priced at Rs. 500/- can be purchased from the Managers, between 9 a.m. and 3 p.m. on any working day.
4. To transfer the units registered in the name of a holder on the payment to the Manager of a fee of Rs. 100/- for the purposes of facilitating the registration of the transfer.
5. To participate in meetings of the unit holders subject to the provisions of the Trust Deed.

Suspension of Dealings

The Managers may with the approval of the Trustee and with the written consent of the SEC suspend dealing during:

- (a) the existence of any state of affairs which, in the opinion of the Managers, constitute an emergency as a result of which disposal of such investments would not be reasonably practicable or might seriously prejudice the interest of the Holders as a whole and of the Deposited Property;
- (b) any breakdown in the means of communication normally employed in determining the price of any of such investments or the current price on any recognized stock exchange or when for any reason the prices of any of such investments cannot be promptly and accurately ascertained;
- (c) any period when remittance of money which will or may be involved in the realization of such investments or in the payment for such investments cannot, in the opinion of the Managers, be carried out in reasonable time.

Such suspension shall take effect forthwith upon the declaration thereof by the Managers and shall terminate on the day following the first business day on which the condition giving rise to the suspension shall have ceased to exist and no other condition under which suspension is authorized under the Trust Deed shall exist.

Approval of the Securities and Exchange Commission

The SEC has approved this Explanatory Memorandum in terms of the applicable law.

Date of this Explanatory Memorandum

This Explanatory Memorandum is dated 11th September 2019

Key Information

Fund Manager & Registrar

National Asset Management Limited
No.7, Glen Aber Place, Colombo 03.
T: +94112445911 | F: +94112445903
Company Registration No. PB 1025

Trustee & Custodian

Hatton National Bank PLC
Custody & Trustee Services
15th Floor HNB Towers
479 T B Jayah Mawatha (Darley Road) Colombo 10.
T: +94112661762 | F: +94112662833

Auditors

BDO Partners
Chartered Accountants
"Charter House"
65/2, Sir Chittampalam A Gardiner Mawatha
T: +94112421878 | F: +94112336064

Lawyers

F.J. & G. de Saram
Attorneys-at-Law & Notaries Public
216, De Saram Place, Colombo 10, Sri Lanka

Important

Read and retain the document for further reference. The contents of this Explanatory Memorandum should not be construed as investment, legal or tax advice. Each potential investor must seek independent investment, legal and tax advice with respect to the implications of investing in the Fund.

All information in this Explanatory Memorandum is given as of the date hereof, unless expressly otherwise specified herein.

This Explanatory Memorandum is based on the law and practice currently in force in Sri Lanka and is subject to change therein.

Declaration by the Trustee

We Hatton National Bank PLC hereby declare that we will carry out the transactions with the Manager at an arm’s length basis and on terms which are best available for the Fund, as well as act, at all times, in the best interests of the Fund’s unit holders and also that the requirements of the guidelines issued by the SEC in Circular No. 2/2009 dated 7th January 2009 have been complied with.

The Trustees hereby also declare and certify that they have read and agreed with the representations made in this Explanatory Memorandum.



Declaration by the Manager

We, National Asset Management Limited, hereby declare that we will carry out the transactions with the Trustee at an arm’s length basis and on terms which are best available for the Fund, as well as act, at all times, in the best interests of the Fund’s unit holders and also that the requirements of the guidelines issued by the SEC in Circular No. 2/2009 dated 7th January 2009 have been complied with.

We accept full responsibility for the accuracy and the information given herein, and confirm having made all reasonable inquiries, that to the best of their knowledge and belief there are no other material facts the omission of which would make any statements herein misleading.

On behalf of the Manager

Director

Director

National Asset Management Limited

No. 07, Glen Aber Place, Colombo 03.

T: 9411 2445911 | www.namalfunds.com