

Senfin Shariah Balanced Fund

Explanatory Memorandum



Fund Manager



Technical Partner



Trustee

SENFIN SHARIAH BALANCED FUND

An Open - ended Unit Trust licensed under the laws of Sri Lanka by the Securities and Exchange Commission of Sri Lanka on 8th October 2012 *and previously known as the Amana Heraymila Shariah Fund and Amana Candor Shariah Fund and Amana Candor Shariah Balanced Fund*

and

Constituted by the Trust Deed dated 15th October 2012 and substituted by the Trust Deed dated 15th October 2013 along with the Supplementary Trust Deed dated 9th December 2014 and amended by the Supplementary Trust Deed dated 04th October 2018 and also by the Supplementary Trust Deed dated 15th September 2020.

Fund Manager

Senfin Asset Management (Pvt) Ltd

Technical Partner

ICapital Partners Limited

Trustee

Hatton National Bank PLC

This Explanatory Memorandum is dated 15th September 2020

Important Information

This Explanatory Memorandum is subject to the existing laws and practices of Sri Lanka.

This Explanatory Memorandum may be updated from time to time to reflect any material changes that may occur which could affect the Fund and if so any updated Explanatory Memorandum will be made available to investors.

The Legal Counsel to the Fund Manager in assisting with the preparation of this Explanatory Memorandum, have relied on information supplied by the Fund Manager and have not independently verified the accuracy or completeness of any information contained herein and therefore make no representation or warranty with respect thereto and assume no liability for the contents of, or any omissions from, this Explanatory Memorandum.

Investing in the Fund involves a degree of risk normally associated with any investment in equities and income securities and the price of Units and income from them may fall as well as rise due to market fluctuations.

The contents of this Explanatory Memorandum should not be construed as investment, legal or tax advice. Investors should seek independent professional advice to ascertain (a) the possible tax consequences, (b) the legal requirements and (c) any foreign exchange restrictions or exchange control requirements which they may encounter under the laws of the countries of their citizenship, residence or domicile and in Sri Lanka, which may be relevant to the subscription for and redemption of Units in the Fund.

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

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The Fund at a Glance

Type of fund	Open-ended Shariah balanced fund
Investment objective	To achieve a balance between capital appreciation and income over the medium to long term
Investment strategy	To follow an active investment strategy by allocating capital between Shariah compliant equity securities and Shariah compliant income securities in line with the investment objective of the Fund
Investment management approach	Investment management approach will be based on quality investing which will involve in-depth fundamental research, long-term focus and strong price discipline
Authorized investments	<ul style="list-style-type: none"> • Equity securities that are Shariah compliant and listed on the CSE. • Savings and Term Mudharaba securities issued by Licensed Commercial Banks, Licensed Specialized Banks, Licensed Finance Companies and Licensed Leasing Companies • Shariah compliant income securities issued by Licensed Banks, Licensed Finance Companies, Licensed Leasing Companies and other corporate entities. • Gilt edge income-based instruments structured in a Shariah compliant manner. • Any other Shariah compliant income-based instrument available in the market from time to time and approved by SEC.
Fees	<ul style="list-style-type: none"> ▪ Front- end fee of 1.5% ▪ Management fee of 1.5% p.a. of NAV ▪ Registrar fee of 0.25% p.a. of NAV ▪ Trustee fee of 0.15% p.a. of NAV ▪ Custody fee of LKR 20,000 per month from the Fund ▪ Exit fee - nil
Valuation	Daily at end of market day
Dividends	Dividends will be paid at the Fund Manager's discretion

Dealing Information

Unit Holders can buy and sell units on any market day

Subscription of units in the Fund	On any market day at the prevailing subscription price (Fund's unit selling price)
Redemption of units in the Fund	On any market day at the prevailing redemption price (Fund's unit buying price)
Initial investment in the Fund	LKR 1,000

Directory

Fund Manager & Registrar

Senfin Asset Management (Pvt) Ltd
No 267, Galle Road, Colombo 03
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Web: www.senfinassetmanagement.com

Trustee and Custodian

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HNB Towers
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Shariah Technical Partner

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Colombo 04
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Fund Auditors

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The Fund

Introduction

The Senfin Shariah Balanced Fund (*previously known as the Amana Heraymila Shariah Fund and the Amana Candor Shariah Fund and Amana Candor Shariah Balanced Fund*) is an open-ended, balanced Unit Trust fund managed according to Shariah principles and is approved by the Securities and Exchange Commission of Sri Lanka. The Fund invests in Shariah compliant equities listed on the Colombo Stock Exchange (CSE) through both the primary and secondary markets and in Shariah compliant income securities. The Fund is a contractual arrangement between the Fund Manager and the Trustee acting on behalf of the investors.

Investment Objectives

The objective of the Amana Candor Shariah Balanced Fund is to achieve over the medium to long term a balance between capital appreciation and income by investing in Shariah compliant equity securities listed on the CSE and Shariah compliant income securities as approved by the Shariah Council of the Fund and as permitted by the SEC.

Risk Profile of the Fund - Medium

Given that the Fund will maintain a balance between Shariah compliant equity and fixed income securities, the risk profile of the Fund is Medium.

Investment Strategies

The Fund Manager will follow an active investment strategy by allocating capital across Shariah compliant equity and income securities. The Fund's strategic (long term) allocation to equity and Shariah compliant income securities will be 60% and 40% respectively. Furthermore, the Fund Manager may adopt tactical or short-term asset allocation strategies and invest a major percent of the funds in Shariah compliant income securities with a view to protecting capital at times of possible stock market declines subject to the guidelines stipulated by the SEC. The Fund Manager will select equity securities for the portfolio based on the shares included in the White List. Shariah compliant income securities will be selected from available instruments in the market.

When investing, the Fund Manager will focus on in-depth fundamental research, long-term focus and strong price discipline. The principle of intelligent investing, through quality decisions based on thorough research and knowledge means that the investment approach is simple and based on understanding fundamentals. Furthermore, the Fund Manager will rely on strong local knowledge and experience in the Sri Lankan securities markets to identify investments that would fulfill the objectives of the Fund.

The Fund Manager will engage in continuous monitoring of companies through regular company visits in order to make qualitative assessments of the management, the company's prospects for growth and strategies undertaken to create shareholder value.

The stock selection policy of the Fund will be in line with the overall objectives of the Fund, which would be to invest in Shariah compliant listed shares. The Fund Manager will seek to primarily invest in well-managed businesses at attractive valuations.

If required, the Fund Manager may use an Investment Committee to facilitate the investment decision-making process.

A Compliance Officer will monitor the investment activities of the Fund Manager in order to ensure that investments in the Fund comply with the rules and regulations prescribed by the SEC.

Shariah compliant equity security selection

A White List of shares will be prepared on an annual basis by the Technical Partner in accordance with the Accounting and Auditing Organization for Islamic Financial Institution's (AAOIFI) Rules for dealing in shares and verified by the Technical Partner's Shariah Advisor. The White List will be prepared in accordance with the following criteria based on Shariah principles:

Level one - Core business activity screening

The Investee Company's core business must be Halal and in line with the dictates of Shariah. Hence, investment in securities of any company dealing in conventional banking, conventional insurance, alcoholic drinks, tobacco, pork production, dealing in and manufacturing of arms and ammunition, pornography, entertainment, gaming, hotels that serve alcohol and non-Halal meats, producers of non-Halal meats or related activities are not permissible.

- Level two - Types of share screening

The company should not have issued preference shares that have special financial features leading to the granting of priority to these shares at the time of liquidation or the distribution of profits. It is permitted to grant certain share features related to procedural or administration matters, in addition to the rights attached to ordinary shares, like voting rights.

- Level three - financial ratio screening

- a) Debt to Market Cap

Debt to Market Capitalization ratio should be less than 30%. Debt, in this case, is classified as any interest-bearing debt; zero coupon bonds and preference shares are both by definition, part of debt.

- b) Non-compliant Investments to Market Cap

The ratio of non-compliant investments to Market Capitalization should be less than 30%. Investment in any non-compliant security shall be included for the calculation of this ratio.

- c) Illiquid Assets to Total Assets

The ratio of illiquid assets to total assets should be at least 30%. Illiquid Asset means any valuable asset other than cash and receivables. Thus, Illiquid Assets include tangible assets, benefits and rights such as property, plant & equipment, building, furniture & fixture, intangible assets, stock in trade, raw materials, stores and spares and all similar assets.

d) Screening of Prohibited Income

Non-Compliant Income to Total Revenue: the ratio of non-compliant income to total revenue should be less than 5%. Total revenue includes gross revenue plus any other income earned by the company.

Purification of Non-Compliant Income: the obligatory purification figure which should be given to charity is arrived at by the following mechanism.

- $\text{Prohibited income} / \text{Number of shares of the company} = \text{Prohibited portion in each share.}$
- $\text{Prohibited portion in each share} \times \text{Average Number of shares held during the year} = \text{Purification Amount.}$

Non-Compliant income as calculated by the Technical Partner is given to a Charitable Organization recommended by the Technical Partner.

Permitted Investments

- Equity securities that are Shariah compliant and listed on the CSE;
- Savings and Term Mudharaba securities issued by Licensed Commercial Banks, Licensed Specialized Banks, Licensed Finance Companies and Licensed Leasing Companies;
- Shariah compliant income securities issued by Licensed Banks, Licensed Finance Companies, Licensed Leasing Companies and other corporate entities;
- Gilt edge income based instruments structured in a Shariah compliant manner.
- Any other Shariah compliant income-based instrument available in the market from time to time and approved by SEC

Investment Parameters

The Fund will make investments within the investment parameters prescribed in the Trust Deed and amendments thereto, the SEC Directives issued to Unit Trust Managing Companies from time to time subject however to the restrictions and limitations set out in Rule 10 of the Unit Trust Code and amendments thereto.

The Amana - Candor Shariah Balanced Fund will adhere to the following limits:

- a) The maximum equity exposure of the Fund will be 70%;
- b) An equity investment in a single listed entity will not exceed 15% of the Net Asset Value of the Fund or percentage of the approved Index Market Capitalization whichever is higher, subject to a limitation of 10% of the Investee Company's voting share capital. An approved Index shall include an approved independent public index, CSE Indexes including CSE's Sector Index or any other Index approved by the SEC;
- c) The Fund will maintain a level of liquidity of 3% or more of the Net Asset Value of the Fund in cash or near cash;
- d) With respect to an initial public offer, offer for sale or a rights issue of equity of a listed or unlisted issuer, the investment will not exceed 15% of the Net Asset Value of the Fund or the

percentage weight of the expected market capitalization which that stock represents based on the highest bid price, whichever is higher;

- e) Investment in a single entity Shariah compliant income security issued by a bank licensed by the Central Bank of Sri Lanka, will not exceed 25% of the Net Asset Value of the Fund;
- f) Investment in a single entity Shariah compliant income security issued by a non - banking entity, will not exceed 15% of the Net Asset Value of the Fund;
- g) Total exposure to a single entity through listed equity, and Shariah compliant listed and unlisted income securities together will not exceed 25% of the Net Asset Value of the Fund provided that (b), (e) and (f) above is not violated;

The Fund will not invest in interest income generating securities or in securities that are not Shariah compliant.

It will not be necessary for the Fund Manager to effect changes to investments merely owing to appreciation or depreciation in the value of the investments of the Fund, or the limits prescribed above being exceeded as a result of:

- a) the receipt by the Trustee or its nominee of any rights, bonuses or benefits in the nature of capital;
 - b) any scheme of arrangement for amalgamation, reconstruction, conversion or exchange;
- or
- c) any redemption

The implementation of the investment policy and making any modifications thereto which does not substantially change the nature of the Fund will be the responsibility of the Fund Manager, subject to SEC approval.

Dividends

Dividends will be at the discretion of the Fund Manager. Distributions, if any, will be of varying amounts depending on the realized income earned on investments. The dividend payment that unit holders receive would be net of purification for non-compliant income.

Risks

Because the Fund will invest in equity securities, the risk profile of the Fund can be considered high. Furthermore, investing in the Fund involves risks associated with making investments in equities. The value of Units or the Net Asset Value of the Fund may go down as well as up, and there can be no assurance that at the end of the Fund's term, investors will receive the amount originally invested. Accordingly, the Fund is only suitable for investment by investors who understand the risks involved in investing in shares and can tolerate share market fluctuations and in turn fluctuations in the Net Asset Value of the Fund.

Some of the risks that investors coming into this Fund should consider are provided below.

- a) **Equity Security Risk.** Listed shares are susceptible to general stock market fluctuations and to volatile increases and decreases in value as market confidence in and perceptions of their issuers change. Investor perceptions are based on various and unpredictable factors, including expectations regarding government, economic, monetary and fiscal policies; inflation and interest rates; economic expansion or contraction and global or regional political, economic, banking and health crises. The value of equity securities in the Fund's portfolio will fluctuate and, as a result, the Fund's unit price may decline suddenly, or over a sustained period of time.
- b) **Cash and Cash Equivalents Risk.** At any time, the Fund may have significant investments in cash or cash equivalents. When a substantial portion of a portfolio is held in cash or cash equivalents, there is the risk that the value of the cash account, including interest, will not keep pace with inflation, thus reducing purchasing power over time.
- c) **Illiquid Stock Risk.** Some stocks may be relatively illiquid, thereby purchasing and disposing of such shares may incur higher premiums and steeper discounts respectively.
- d) **Interest Rate Risk.** Interest rate risk is the risk that market rates and thereby profit rates of Shariah income securities will fluctuate
- e) **Managed Portfolio Risk** – The management's investment strategies, or choice of specific securities, may be unsuccessful and may cause the Fund to incur losses.
- f) **Industry Concentration Risk** – The Fund's investments could be concentrated within one industry or group of industries. Any factors detrimental to the performance of such industries will disproportionately impact the Fund. Investments focused in a particular industry are subject to greater risk and are more greatly impacted by market volatility than less concentrated investments.
- g) **Frontier Markets Risk** – To the extent that the Fund will be investing in a frontier market, the risk may be heightened by political changes and changes in tax or currency controls that could adversely affect the values of these investments. Frontier markets have been more volatile than the markets of developed countries with more mature economies.
- h) **Legal, Taxation and Regulatory Risk** - Legal, tax and regulatory changes could occur during the term of the Fund that may adversely affect the Fund, its investee companies or investors. The tax laws in Sri Lanka may change, possibly with retroactive effect. Investors should review carefully this Explanatory Memorandum and consult with their tax advisers regarding the specific tax and other consequences of investing in the Fund.
- i) **Large Investor Risk** - Securities of unit trusts may be purchased and sold by "large" investors, such as institutions, funds of funds and investment portfolios. If a large investor redeems a portion or all of its investment from a unit trust at a time when the equity markets are trending downward, some securities may have to be sold at unfavorable prices, thus reducing the fund's potential return. Conversely, if a large investor was to increase its investment in a fund, the fund may have to hold a relatively large position in cash for a period of time while the portfolio advisor attempts to find suitable investments. This could also negatively impact the performance of the fund and hence impact the return for other investors in the fund.
- j) **There are other circumstances (including additional risks that are not described here) which could prevent the Fund from achieving its investment objectives.**

Fees

Front- end Fee

- A front-end fee of 1.5% will be charged on the Net Asset Value which is included in the subscription price of Units.

Management Fee

- The Fund will pay a management fee of 1.5% per annum of the Net Asset Value of the Fund to the Fund Manager for acting in that capacity. The fee will be calculated and accrued as at each Valuation Day and will be payable monthly in arrears.

Registrar Fee

- The Fund will pay a Registrar Fee of 0.25% per annum of the Net Asset Value of the Fund. The fee will be calculated and accrued as at each Valuation Day and will be payable monthly in arrears.

Trustee Fee

- The Fund will pay Hatton National Bank PLC a Trustee fee of 0.15% per annum of the Net Asset Value of the Fund plus all out-of-pocket expenses authorized by the Trust Deed. The Trustee fee will be calculated and accrued as at each Valuation Day and will be payable monthly in arrears.

Custody Fee

- The Fund as a whole will pay Hatton National Bank PLC a Custody Fee of LKR 20,000 per month.

Shariah Compliant Borrowing Powers

The Fund may borrow monies up to a maximum limit of 15% of the Net Asset Value of the Fund for the purpose of:

- I.Redemption requirements;
- II.Funding working capital requirements of the Trust.

Currency Denomination

Currency denomination of the Fund will be in Sri Lankan Rupees (LKR).

Minimum Number of Unit Holders

As per SEC directives, the Managing Company undertakes to:

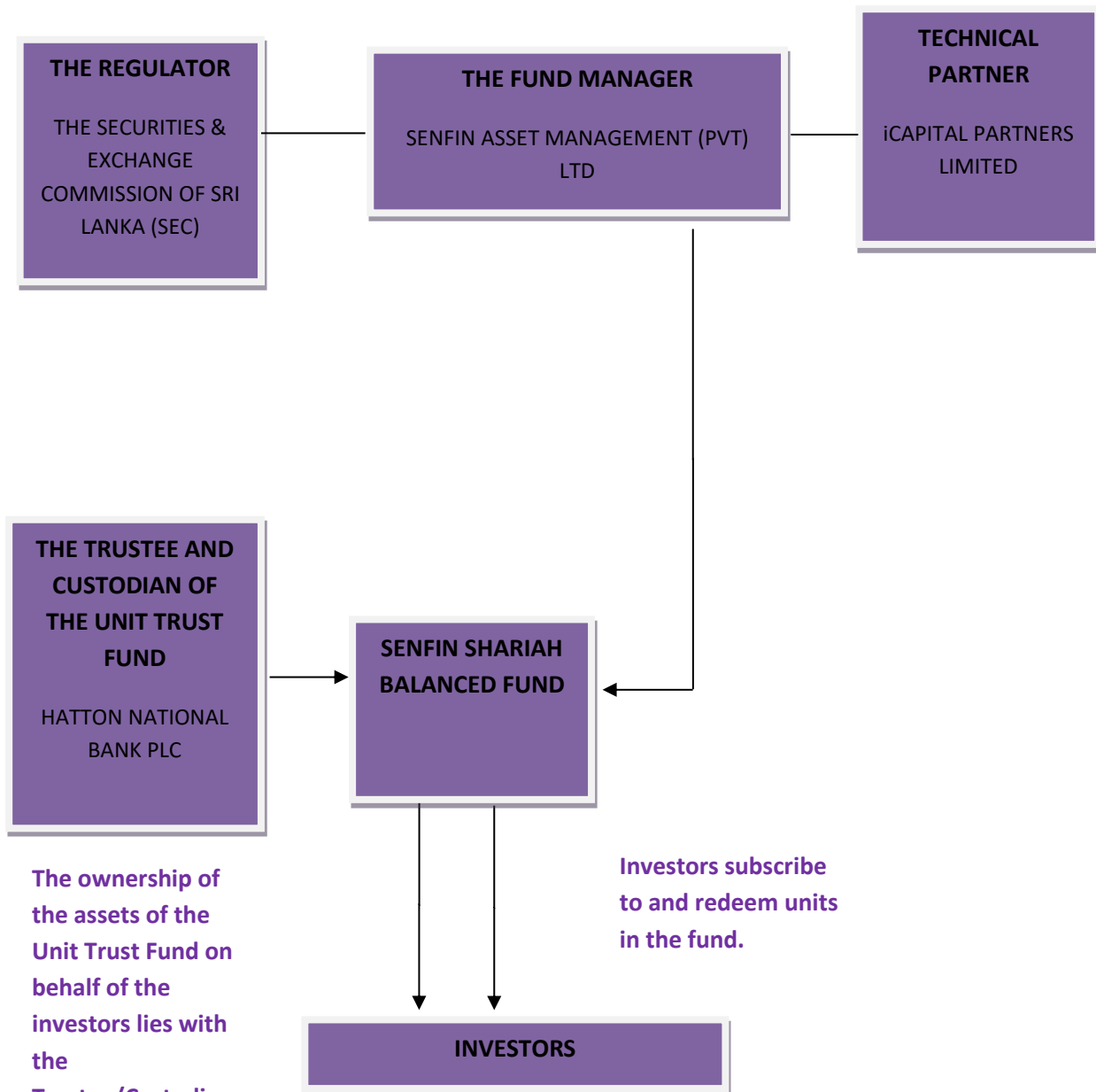
- Maintain a minimum number of fifty (50) unit holders at all times.

Operating Structure of the Fund

The SEC is the regulator of the Unit Trust Fund Manager and of the Unit Trust Fund. The Unit Trust Fund is licensed by the SEC.

The Fund Manager structures and manages the Fund on behalf of the investors. Assets of the Fund are not held with the Fund Manager

iCapital Partners Limited provides the Fund Manager with Technical Advice on all Shariah Investment related matters including the White List of shares.



Eligibility to Invest in the Fund

Investment in the Fund can be made by:

- Citizens of Sri Lanka who are resident within Sri Lanka and are above 18 years of age (severally or jointly).
- Minors as the first holder when applied jointly with parent, legally appointed guardian or curator*.
- Companies, corporations or institutions incorporated or established within Sri Lanka.
- Provident funds, contributory pension schemes and other legally constituted bodies registered/incorporated/established in Sri Lanka.
- Citizens of foreign states whether resident in or outside Sri Lanka, Sri Lankans resident outside Sri Lanka, foreign institutional investors, and companies with limited liability or other bodies corporate established or incorporated outside Sri Lanka**.
- Global, regional and country funds **

* 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.

** Payment for the purchase of Units shall be made out of an Inward Investment Account (IIA). An IIA is a special account designated for eligible investors resident in or outside Sri Lanka to route funds to invest in the permitted investments. Licensed Commercial Banks and Licensed Specialized Banks (as permitted) are permitted to open and maintain IIA in the Domestic Banking Unit of a Licensed Commercial Bank and Licensed Specialized Banks (as permitted) in the name of the eligible investor, subject to the terms and conditions stipulated in the **Government Gazette bearing no. 2045/56 dated 17.11.2017 and the Direction issued** on the same. IIA may be maintained in Sri Lanka rupees or in any designated foreign currency and may be held jointly by eligible investors

Purchasing Units in the Fund

Units in the Fund can be purchased on any Business Day, provided the Fund Manager receives

- The duly completed Application Form;
- The duly completed Investment Form;
- A cheque or bank draft drawn in favour of **Senfin Shariah Balanced Fund**. Cheques or bank drafts should be crossed "Account Payee Only". Cash cheques will not be accepted.
 - Cash deposits or fund transfers could be affected to the Fund's collection account **at Hatton National Bank PLC**
 - Cash will not be accepted by the Fund Manager or Registrar.

Applications received after 3.00 p.m. will be carried forward to the next business day.

Application forms for purchase of units can be obtained from the registered office of the Fund Manager or distributors/agents appointed by the Fund Manager from time to time or can be downloaded from the Fund Manager's website: <http://www.senfinassetmanagement.com>.

Evidence of Ownership of Units

Evidence of ownership of Units will be in the form of a Transaction Receipt which will:

- a) be dated;
- b) bear the names and addresses of the Manager and Trustee;
- c) note the amount paid by the Unit Holder and specify the number of Units represented thereby;
- d) include the name and address of the Holder as appearing in the Register.

The Unit Holder will also be issued with a half yearly statement containing a confirmation of the Unit holding.

The Unit Holder register maintained by the Fund Manager shall be the conclusive evidence of the person entitled to the Units. It is the responsibility of the Unit Holder to notify the Fund 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.

Dividend Distributions

Distributions from the Fund can be received as cash or by way of reinvestment in the fund for additional units.

Dividends payment of distributions as cash will be made in Sri Lanka Rupees to the registered Unit Holders. Dividend payments will be made only to the first holder and if the Unit Holder has elected to receive the dividend, the payment will be sent by normal post to the address registered with the Registrar at the risk of the Unit Holders by crossed cheques marked "Account Payee Only".

Dividends belonging to minors will be automatically reinvested in units.

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

Redemption (selling) of Units in the Fund

Units may be redeemed on any Business Day at the Fund Manager's Redemption Price (Buying Price) calculated at the end of that Business Day, provided the Fund Manager receives before 3.00 p.m. the redemption request letter, facsimile, or duly completed redemption request form. In the case of joint holders both parties must sign the redemption request letter, facsimile or redemption request form. Any request for redemption after 3.00 p.m. will be processed on the following Business Day. Redemption Request Forms can be obtained from the registered office of the Fund Manager or can be downloaded from the website of the Fund Manager at <http://www.senfinassetmanagement.com>.

Unit holders can 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 Fund Manager's reserve the right to redeem the remaining Units and pay the proceeds to the investor.

Payment of redemption proceeds will be made in Sri Lankan Rupees to the first holder, by way of a direct transfer to the bank account indicated in the Redemption Request Form or by way of a crossed cheque marked "Account Payee Only" in the absence of a bank account, which will be dispatched by registered post within 14 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 Fund Manager does not assume liability, for the delays in the investor receiving value for the above payments.

If the total amount to be redeemed by a Unit Holder is equal to or greater than 3% (three per cent) of the Net Asset Value of the Fund, the Unit Holder will be required to give the Fund Manager at least fourteen (14) days prior written notice of such intention and redemption will take place on the expiry of such period at the price prevailing at the end of the fourteen days. The redemption will be carried out at the Fund Manager's Buying Price on the redemption date.

Switching Between Funds

Unit holders of Senfin Shariah Income Fund have the option of switching their investments to any other Open-Ended Unit Trust managed by the Fund Manager subject to requirements specified under **Redemption (selling) of Units in the Fund** above, and requirements specified in Purchasing of Units in the Fund as prescribed in the Explanatory Memorandum of the Unit Trust Fund that the Unit holder will be switching to.

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 **Fund Manager's Selling Price** for subscriptions on an ongoing basis (subsequent to the Initial Offer Period) as at any dealing day shall be determined by:

- a) ascertaining the Net Asset Value of the Fund as at 4.00 p.m. (Sri Lankan time) on the Valuation Day;
- b) adding such sum that the Fund Manager considers as representing the appropriate provision for duties and charges which would have been incurred if all the securities and other assets of the Fund had been purchased on that date at prices equal to their respective value as at 4.00 p.m. (Sri Lankan time) on that day;
- c) dividing the resulting sum by the number of Units in issue;
- d) adding the applicable Front-end Fee to the result given above.

The **Fund Manager's Buying Price** for redemptions on any Business Day shall be determined by:

- a) ascertaining the Net Asset Value of the Fund as at 4.00 p.m. (Sri Lankan time) on that day;

- b) deducting such sum that the Fund Manager considers as representing the appropriate duties and charges which would have been incurred if all the securities and other assets of the Fund had been realized on that date at prices equal to their respective value as at 4.00 p.m. (Sri Lankan time) on that day;
- c) dividing the resulting sum by the number of Units in issue and deemed to be in issue.

Obtaining Unit Price Information

The **Fund Manager's Selling Price** and **Buying Price** of the Fund will be published daily in at least one leading Sri Lankan newspaper or will be accessible on the Fund Manager's website <http://www.senfinassetmanagement.com>.

Determination of Net Asset Value

The Net Asset Value of the Fund will be determined by the Fund Manager in accordance with the Trust Deed, directives issued by the SEC and valuation guidelines issued by Unit Trust Association of Sri Lanka.

Valuation methods of investments may change from time to time as per directives issued by the SEC.

The Net Asset Value per Unit will be calculated by the Fund Manager using the formula: the total assets of the Fund less the total liabilities divided by the total number of outstanding Units of the Fund as at close of business on the Valuation Day. The Net Asset Value of the Fund and the Units will be expressed in LKR.

All liabilities will be deducted from the total value of the Fund Assets including:

- a) management fees and disbursements of the Fund Manager earned but not yet paid;
- b) charges to the Registrar for services provided;
- c) any allowance for the Fund's estimated annual audit, legal and other fees;
- d) charges of the Trustee and Custodian and any other service provider;
- e) the gross acquisition consideration of investments or other property contracted to be purchased for the Fund;
- f) reserves authorized or approved for duties, charges, taxes or contingencies (accrued where appropriate on a day-to-day basis);
- g) other liabilities of the Fund of whatsoever nature (which will, where appropriate, be deemed to accrue from day-to-day) including contingent liabilities (if any) being valued in such manner as the Fund Manager may determine from time to time in any particular cases; and
- h) Legal expenses incurred in safeguarding the fund

The Fund may temporarily suspend the determination of the Net Asset Value per Unit upon the occurrence of one or more of the following events, subject to obtaining prior approval of SEC:

- a) the existence of any state of affairs which constitutes in the opinion of the Fund Manager an emergency as a result of which disposal or the valuation of the Fund Assets would be impractical;
- b) any breakdown in the means of communication or computation normally employed in determining the price or value of any of the investments made by the Fund;

- c) if, because of restrictions affecting the transfer of funds, transactions on behalf of the Fund are rendered impracticable or if purchase, sale, deposits and withdrawals of assets of the Fund cannot be affected in the normal course of business;
- d) if an order by a Sri Lankan court or Sri Lankan regulatory body, including the SEC, is issued requiring such suspension; or
- e) when the market in which a substantial portion of the Fund Assets are invested or traded is closed otherwise than for ordinary holidays, or during which dealings therein are restricted or suspended in a way that affects the valuation of the Fund Assets;

Where a suspension occurs as described above, the Fund Manager will notify the SEC as soon as practicable of the suspension and the reasons thereof.

General Information

Disclosures and Approvals under the Unit Trust Code and SEC Guidelines

- (a) Any transaction between the Fund and the Fund Manager, or any connected person, may only be done with the prior written consent of the Trustee and such transactions must be disclosed in the Fund's annual report.
- (b) All transactions between the Fund and an associate, subsidiary or holding company of the Fund Manager can only be done with the prior written consent of the Trustee and must be disclosed in the Fund's annual report.
- (c) The investment instruments in which the Fund has invested for the periods concerned, for which the Trustee is also a trustee of the Fund must be disclosed in the Fund's annual report.

Suspension of Dealing

The Fund Manager may, with the approval of the Trustee, suspend dealings during:

- (a) The existence of any state of affairs which, in the opinion of the Fund Manager, constitutes an emergency.
- (b) Any period when there is a breakdown in the communication normally employed by the Manager in determining or ascertaining the price of investments.
- (c) Any period when remittances of which will, or may involve the realization of investments or the payment for such investments, which cannot be carried out within a reasonable time.

Such suspension shall take place immediately upon declaration thereof by the Fund Manager and shall terminate when the Fund Manager is satisfied that the conditions giving rise to such suspension shall cease to exist.

Rights of Unit Holders

Subject to the provisions of the Trust Deed and the Unit Trust Code, Unit Holders are entitled to:

- inspect the Trust Deed at the office of the Fund Manager on any Market Day free of charge and to purchase copies of the same at a price of LKR 500 at the office of the Fund Manager on any Market Day;
- receive statements, annual accounts and reports of the auditors;
- participate in meetings of Unit Holders, subject to the provisions of the Trust Deed; and
- redeem subject to the conditions of the Trust Deed

Tax Impact to Unit Holders

Tax on unit trust investments will be accordance to the prevailing tax laws in the country and may change from time to time.

The Manager and Trustee take no responsibility for the individual taxation liability of investors.

Reports and Accounts

Unit Holders will be sent a report on the accounts and the performance of the Fund semi-annually. The accounts will be prepared up to 30th June and 31stDecember in each year and sent to the Unit Holders within 3 months thereafter.

Conflicts of Interests

The Fund Manager may manage other portfolios of iCapital Partners Limited and of Hatton National Bank PLC in the ordinary course of business. Notwithstanding the above, the fund manager undertakes to act at all times in the best interest of the unitholder.

Inspection of Documents

The Trust Deed may be inspected at any time during normal business hours at the registered office of the Fund Manager from the date hereof. The Explanatory Memorandum can be obtained by contacting the Registrar to the Fund and is also available on the Fund Manager's website, <http://www.senfinassetmanagement.com>.

Governing Laws

The Unit Trust Fund will be managed in accordance with the SEC Act, the Unit Trust Code, the Trust Deed of the Fund, the last published Explanatory Memorandum pertaining to the Fund, and the directives issued by the Commission from time to time.

Approval of the Securities and Exchange Commission

The SEC has approved this Explanatory Memorandum as suitable for distribution to prospective investors of the Fund.

The Management & Administration of the Fund

The Fund Manager and Registrar of the Fund

Senfin Asset Management (Pvt) Ltd (SFAM) is a company incorporated in Sri Lanka and licensed by the Securities & Exchange Commission of Sri Lanka (SEC) to manage unit trust funds and discretionary portfolios. The Fund Manager is a wholly-owned subsidiary of Senkadagala Finance PLC, a company licensed by the Central Bank of Sri Lanka. Senkadagala Finance PLC commenced operations in the city

of Kandy in 1968 and since then has steadily gained momentum, leveraging the varied partnerships it nurtured throughout the years.

SFAM relies on strong local knowledge and experience in the Sri Lankan equity and debt markets to fulfill investment objectives of its unit trust investors and portfolio clients.

The Fund Manager will also act as the Registrar to the Fund. The Registrar will maintain records of Unit holders for subscription and cancellation of units. In addition, the Registrars will prepare transaction receipts and dispatch them to the Unit holders and cancel units on receipt of redemption requests by unit holders. The Registrar shall also arrange for mailing of periodic reports and dividends to Unit holders.

The Trustee and Custodian for the Fund

The Trustee and Custodian of the Fund is Hatton National Bank

Hatton National Bank (HNB) is the second largest private sector Licensed Commercial Bank in SL with a Group asset base over LKR 1.1trillion as at end FY2019 and an island-wide branch network of 252 branches.

HNB is amongst the Top 1000 Banks in the World as published by The Banker Magazine. HNB is also the 9th largest public listed company by market capitalization at the Colombo Stock Exchange as at July 2020.

HNB's responsibilities are to exercise due diligence and to supervise the Fund with the objective of safeguarding the interests of the Unit Holders. HNB, as the Trustee is the legal owner of the Fund Assets and is responsible for ensuring that the Fund Manager performs its obligations under the Trust Deed.

HNB will ensure at its own risk and cost, safe custody of cash and non-cash property including all Fund Assets received from time to time by the Fund. HNB will hold the Fund Assets on behalf of the investors in the Fund.

The Technical Partner of the Fund

The technical partner of the Fund is iCapital Partners Limited (ICP). ICP is a boutique global transaction & wealth advisory platform with a focus on building value through a mix of close client cooperation and experienced delivery which is based on Shariah principle. The team has in depth background in transaction & wealth advisory apart from industry specialisations in Halal, technology, power and energy, food and nutrition, financial services, commodities, core Infrastructure and media/communication sectors.

Declaration by the Trustee and the Fund Manager

Declaration by Trustee and Fund Manager as per SEC Circular No: 02/2009 on Guidelines for Trustees and Managing Companies of Unit Trusts Funds.

Hatton National Bank PLC, the Trustee and Senfin Asset Management (Pvt) Ltd, the Fund Manager of the Fund hereby declares that all transactions will be carried out on 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 interest of the Fund's Unit Holders.

Declarations as per Clause 17 (3) of the Unit Trust Code of 2011

Trustee Declaration

The Trustee hereby declares and certifies that it has read and agreed with the representations contained herein.

Signed

Director

Signed

Director

Fund Managers Declaration

This Explanatory Memorandum has been seen and approved by the Directors of the Fund Manager 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.

Signed

Director

Signed

Director