

# Senfin Dividend Fund

## Explanatory Memorandum



Senfin Asset Management (Pvt) Ltd  
A SUBSIDIARY OF SENKADAGALA FINANCE PLC

**Fund Manager**



**HNB**

**Trustee**

# **SENFIN DIVIDEND FUND**

An Open - ended Unit Trust licensed under the laws of Sri Lanka by the Securities and Exchange Commission of Sri Lanka.

**Fund Manager**

**Senfin Asset Management (Pvt) Ltd**

**Trustee**

**Hatton National Bank PLC**

**This Explanatory Memorandum is dated 5<sup>th</sup> April 2021**

## Fund at a Glance

Type of Fund	An open-ended Unit Trust that invests in a portfolio of dividend yielding shares listed on the Colombo Stock Exchange.
Investment objective	To achieve current income whilst providing an opportunity for capital appreciation.
Authorized investments	<ul style="list-style-type: none"> <li>▪ All forms of equity securities listed on the CSE and includes, voting and non-voting common shares, preference shares, right, warrants, Initial Public Offers, and offers for sale.</li> <li>▪ Treasury securities including Treasury Bills and Treasury Bonds.</li> <li>▪ Repurchase Agreements of both Government Securities and Corporate Securities.</li> <li>▪ Savings and Fixed Deposits of Licensed Commercial Banks, Licensed Specialize Banks, Licensed Finance Companies, Specialized Leasing Companies and other financial institutions approved by CBSL from time to time;</li> <li>▪ Corporate debt securities including Asset Backed Securities, Commercial Papers, and Debentures;</li> <li>▪ Money Market Unit Trust Funds licensed by the SEC.</li> <li>▪ Income Unit Trust Funds licensed by SEC.</li> <li>▪ SL-REITS licensed by SEC.</li> <li>▪ Permitted investments <b>do not</b> include bills of exchange or promissory notes or certificate of deposits issued by a bank as stated in the Unit Trust Code of 2011.</li> </ul>
Fees	<ul style="list-style-type: none"> <li>▪ No front end fee.</li> <li>▪ Management and Administration fee of 0.75% p.a. of NAV.</li> <li>▪ Trustee fee of 0.15% p.a. of NAV.</li> <li>▪ Custodian fee of LKR 20,000 per month from the Fund.</li> </ul>
Valuation	Daily at end of market day.
Dividends	Semi Annually.

## Dealing Information During Offer Period

Initial Offer Opening Date	19 <sup>th</sup> April 2021
Initial Offer Period	19 <sup>th</sup> April 2021 to 4 <sup>th</sup> May 2021
Initial Offer Closing Time and Date	4.30 pm on 4 <sup>th</sup> May 2021
Initial Offer Price Per Unit	LKR 10.00
Minimum Investment During Initial Offer Period	LKR 1,000 and multiples of LKR 1,000

## Dealing Information after Closure of Initial Offer Period

Subscription to the Fund	On any market day at the prevailing subscription price
Redemption of units in the Fund	On any market day at the prevailing redemption price
Minimum initial investment in the Fund	LKR 1,000 and subsequent investments at multiples of LKR 1,000

## 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 the price of Units may fall as well as rise due to market fluctuations. Refer the section "Primary Investment Risks" for more information.

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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## **Directory**

**Fund Manager & Registrar  
Registered Address**

**Senfin Asset Management (Pvt) Ltd  
No 267, Galle Road, Colombo 03  
Sri Lanka  
T: +94 11 +94 11 2301301  
F: +94 11 2301937**

**Fund Manager & Registrar  
Correspondence Address**

**Senfin Asset Management (Pvt) Ltd  
3<sup>rd</sup> Floor, No 180, Bauddhaloka Mw  
Colombo 04  
T: +94 11 +94 11 2102000  
F: +94 11 2314831  
Web: [www.senfinassetmanagement.com](http://www.senfinassetmanagement.com)**

**Trustee and Custodian**

**Hatton National Bank  
HNB Towers  
No 479, T B Jayah Mawatha  
P O Box 837  
Colombo 10  
Sri Lanka**

**Fund Auditors**

**M/s Kreston MNS & Co  
Chartered Accountants  
1<sup>st</sup> & 2<sup>nd</sup> Floors  
Advantage Building  
74A, Dharmapala Mw  
Colombo 07  
Sri Lanka**

**Lawyers**

**Nithya Partners  
Attorneys-at-Law  
No. 97A, Galle Road  
Colombo 03  
Sri Lanka**

## **The Fund**

### **Introduction**

The Senfin Dividend Fund is an open-ended Unit Trust that invests in a portfolio of dividend yielding shares listed on the Colombo Stock Exchange (CSE). The Fund is a contractual arrangement between the Fund Manager and the Trustee who acts on behalf of the investors.

### **Investment Objectives**

The objective of the Fund is to generate current income by investing in a portfolio of diversified dividend paying stocks and by way of capital gains. The dividends received by the Fund and the capital gains generated by the Fund will be distributed to unitholders on a semiannual basis.

### **Investment Strategies**

The Fund aims to achieve its investment objective by investing in listed shares that have a strong history of paying dividends as well as in shares that are likely to appreciate in value over time. The Fund Manager will generally look for companies that they believe are committed to paying dividends on a consistent basis. The selection of dividend-paying stocks is the primary decision in building the investment portfolio.

The Fund's assets will be invested in listed equities under normal conditions. The Fund may invest in all categories of listed equity including voting and non-voting common shares, preference shares, right, warrants, IPOs, offers for sale and other equity related issues.

Fund Manager will also have the discretion to invest the Fund's assets in fixed income securities, subject to the guidelines stipulated by the SEC, whenever equity market returns are expected to be less attractive.

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

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

### **Permitted Investments**

- All forms of equity securities listed on the CSE and includes voting and non-voting common shares, preference shares, right, warrants, Initial Public Offers, and offers for sale.
- Placements or offers for sale of listed debt instruments.
- Treasury securities including Treasury Bills and Treasury Bonds.
- Repurchase Agreements of both Government Securities and Corporate Securities.
- Savings and Fixed Deposits of Licensed Commercial Banks, Licensed Specialize Banks, Licensed Finance Companies, Specialized Leasing Companies and other financial institutions approved by CBSL from time to time;
- Corporate debt securities including Asset Backed Securities, Commercial Papers, and Debentures;
- Money Market Unit Trust Funds licensed by the SEC.
- Income Unit Trust Funds licensed by SEC.
- SL-REITS licensed by SEC.



Permitted investments do not include bills of exchange or promissory notes or certificate of deposits issued by a bank as stated in the Unit Trust Code of 2011.

### Investment Parameters

The Senfin Dividend Fund will adhere to the following asset allocation parameters prescribed by SEC:

- a) 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;
- b) 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;

*Near cash is defined in the Unit Trust Code of 2011 as 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.*

- c) 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;
- d) With respect to placement or offer for sale of listed debt instruments, the investment will not exceed 25% of the Net Asset Value of the Fund;
- e) With respect to listed debt issued by a listed or unlisted issuer, the investment will not exceed 25% of the Net Asset Value of the Fund;
- f) With respect to unlisted debt issued by a listed or unlisted issuer, provided the issue is guaranteed, endorsed with recourse or rated, investments will not exceed 15% of the Net Asset Value of the Fund. However, in the case of unlisted debt of a listed issuer, 10% of the Net Asset Value of the Fund can be invested even if the issue is not guaranteed, endorsed with recourse, or rated;
- g) Total exposure to a single entity through listed equity, listed debt and unlisted debt together will not exceed 25% of the Net Asset Value of the Fund provided that (a), (e), and (f) above is not violated;
- h) Exposure to any bank licensed by the Central Bank of Sri Lanka and carrying an investment grade rating, together with exposures through guarantees and endorsements will not exceed 25% of the Net Asset Value of the Fund;
- i) Investments in quasi equity or convertible securities are permitted subject to the exposure limits set out above for equity, debt, single entity, and with respect to exposure to a single bank;

- j) Investments in derivatives and warrants are permitted where at the 'exercise price', the securities will be within the limits specified by SEC directives.

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

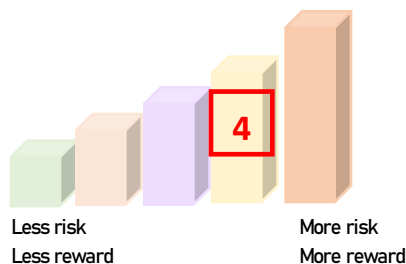
The implementation of the investment policy and making any modifications thereto which does not substantially change the nature of the Fund will be the responsibility of the Fund Manager, subject to SEC approval.

### Dividends

The Fund may pay dividends on a semiannual basis. Distributions in the form of dividends can be irregular and/or of varying amounts.

### Primary Investment Risks

Potential Risk Profile of the Fund



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. Furthermore, investment in this Fund is not a bank deposit and is not insured or guaranteed by any government institution.

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

**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.

**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.

**Dividend Yield Risk.** While the Fund may hold securities of companies that have historically paid a dividend, those companies may reduce or discontinue their dividends, thus reducing the yield of the Fund. Lower priced securities in the Fund may be more susceptible to these risks. Past dividend payments are not a guarantee of future dividend payments. Also, the market return of high dividend yield securities, in certain market conditions, may be worse than the market return of other investment strategies or the overall stock market.

**Illiquid Stock Risk.** Some dividend yielding stocks may be relatively illiquid, thereby purchasing and disposing of such shares may incur higher premiums and steeper discounts respectively.

**Interest Rate Risk.** Interest rate risk is the risk that fixed income prices overall, including the prices of securities held by the Fund, will decline over short or even long periods of time due to rising interest rates. Securities with longer maturities and durations tend to be more sensitive to interest rates than securities with shorter maturities.

**Managed Portfolio Risk** – The management's investment strategies, or choice of specific securities, may be unsuccessful and may cause the Fund to incur losses.

**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.

**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.

**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.

**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.

**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**

- The Fund will not charge a Front-End fee.

### **Management & Administration Fee**

- The Fund will pay a management and administration fee of 0.75% 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.

### **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.

### **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) The Fund acquiring Authorized Investments;
- (ii) Funding working capital requirements of the Trust.

### **Currency Denomination**

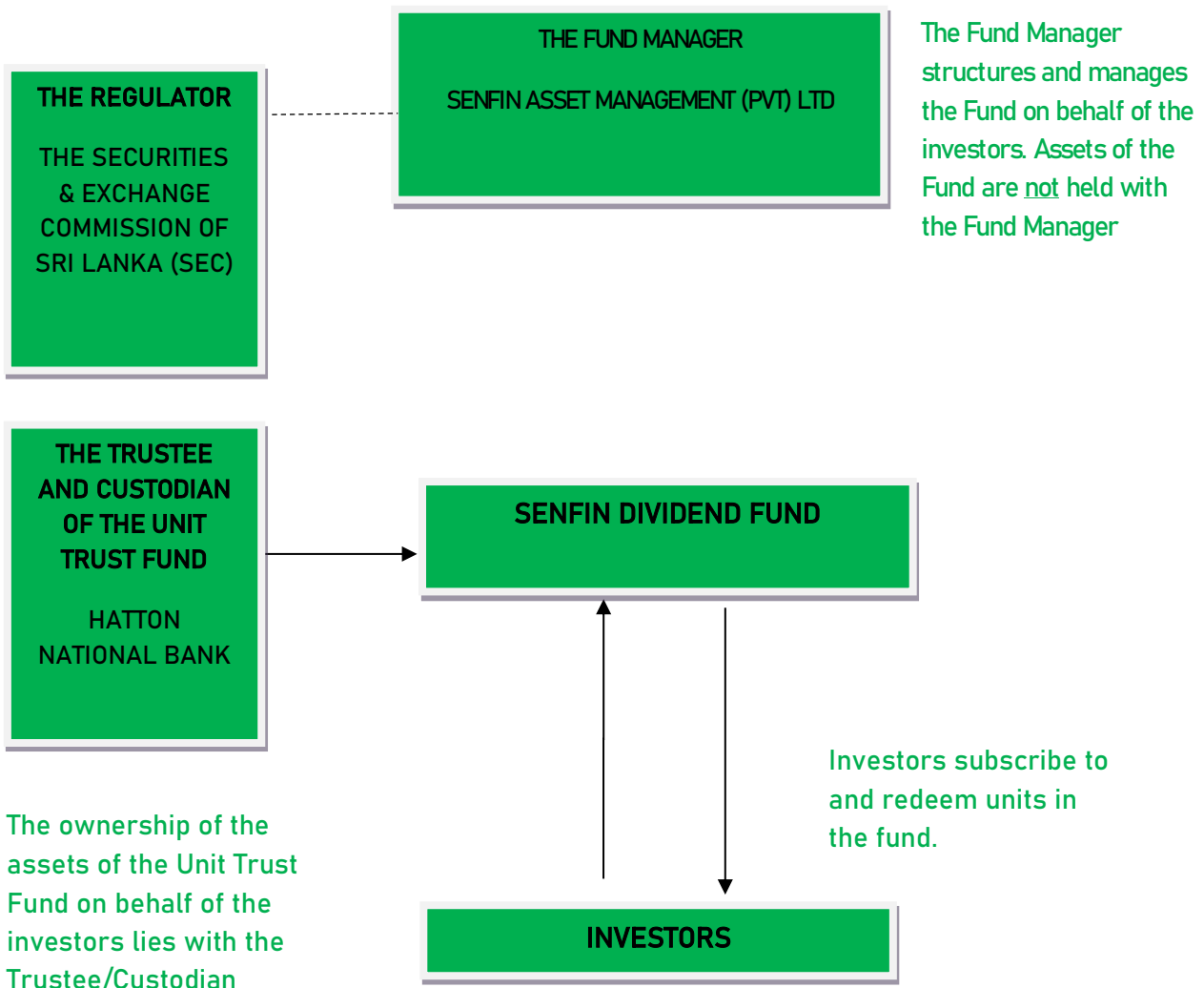
Currency denomination of the Fund will be in Sri Lankan Rupees (LKR). The issue and redemption of Units of the Fund will be made only in Sri Lankan Rupees (LKR).

### **Minimum number of Unit Holders**

As per SEC directives, the Fund will maintain at least 50 unitholders 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.



## 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 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.

## Pricing Methodology

As per industry practice adopted by the Unit Trust Association of Sri Lanka for equity funds, the Senfin Dividend Fund will adopt forward pricing for unit purchases.

## 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 Dividend Fund**. Cheques or bank drafts should be crossed "Account Payee Only". **Cash cheques will not be accepted.**
- Cash deposits, fund transfers and inward remittances could be affected to the Fund's collection account at Hatton National Bank PLC.
- Cash will not be accepted by the Fund Manager.

Units may be purchased on any Business Day at the Fund Manager's Selling Price (Issue Price) calculated at the end of that Business Day, provided the Fund Manager receives the applications and the funds before 3.00 p.m.

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 (Fund Manager's 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, <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.

**Where a unit holder wishes to redeem units, which amount to three per centum or more of the net asset value of the Unit Trust, the unit holder shall give at least fourteen days written notice to the managing company which shall forthwith notify such fact to the trustee.**

**The 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.**

**Where redemption requests on any dealing day exceed ten per centum of the total number of units in issue, redemption requests in excess of the ten per centum may be deferred to the next dealing day, provided the SEC is notified in writing of such deferral.**

### **Switching Between Funds**

Unit holders of Senfin Dividend 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** as indicated in the section 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 and deemed to be 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 set out herein may change from time to time because of directives issued by the SEC.

As at the date of this Explanatory Memorandum, the following valuation principles shall be applicable to investments in the Fund:

- **Listed Equity Securities** will be valued at their weighted-average-closing price, with an appropriate

discount (if any) to reflect any illiquidity.

- **Government Securities** shall be valued on Mark to Market basis using the daily yield curve released by Central bank of Sri Lanka (CBSL) until maturity.
- **All unquoted fixed income securities** shall be valued on Mark to Market basis using the daily yield curve released by the CBSL until maturity plus any risk premium attached to the instrument.
- **All quoted debt securities** shall be valued at the last traded price. Where there is no trade for 90 calendar days, it shall be valued on Mark to Market basis using the daily yield curve released by the CBSL until maturity plus any risk premium attached to the instrument.

The **risk premium** for valuation of unquoted and quoted debt securities shall be calculated as the difference between the yield on the Corporate Debt and the yield on the Government security of a similar maturity at the time of the investing.

- **Repo Investments / Bank Deposits / Asset Backed Securities/ Commercial Papers** shall be valued at cost plus accrued interest basis.

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;
- (c) any allowance for the Fund's estimated annual audit, legal and other fees approved by the Commission and specified in the Trust Deed;
- (d) charges of the Trustee and Custodian;
- (e) the gross acquisition consideration of investments or other property contracted to be purchased for the Fund;
- (f) Legal expenses incurred in safeguarding the fund.

## General Information

### Disclosures and Approvals under the Unit Trust Code and SEC Guidelines

- Any transaction between the Unit Trust and the managing company, or any connected person as principal may only be made with the prior written consent of the trustee. All such transactions shall be disclosed in the Unit Trust's annual report.
- All transactions between the Unit Trust and an associate, joint venture, subsidiary or holding company of the managing company, shall be with the prior written consent of the trustee. All such transactions shall be disclosed in the Unit Trust's annual report.

- An associate means an enterprise in which the managing company has significant influence and which is neither a subsidiary nor a joint venture of the managing company. 'Significant influence' shall have the same meaning as assigned to it in the Sri Lanka Accounting Standards issued by the Institute of Chartered Accountants of Sri Lanka, from time to time.

### **Suspension of Dealing**

Suspension of dealing may be provided for only in exceptional circumstances, having regard to the interest of unit holders, and with the written consent of the Commission and the trustee.

### **Rights of Unit Holders**

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

- (a) a vote each for every Unit Held by the Unit Holder;
- (b) 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;
- (c) receive statements, annual accounts and reports of the auditors;
- (d) participate in meetings of Unit Holders, subject to the provisions of the Trust Deed; and
- (e) redeem subject to the conditions of the Trust Deed.

### **Tax Impact to Unit Holders**

Tax on unit trust investments will be in 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 the Fund's Annual Report and Audited Financial Statements as well as a semi -annual report. Annual Report and Audited Financial Statements will be published and distributed to unit holders within three months of the end of the Fund's financial year and interim reports shall be published and distributed to unit holders within three months of the Fund's semiannual period.

### **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 will be managed in accordance with the SEC Act, the Unit Trust Code, the Trust Deed, the last published Explanatory Memorandum pertaining to the Fund, and the directives issued by the SEC 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**

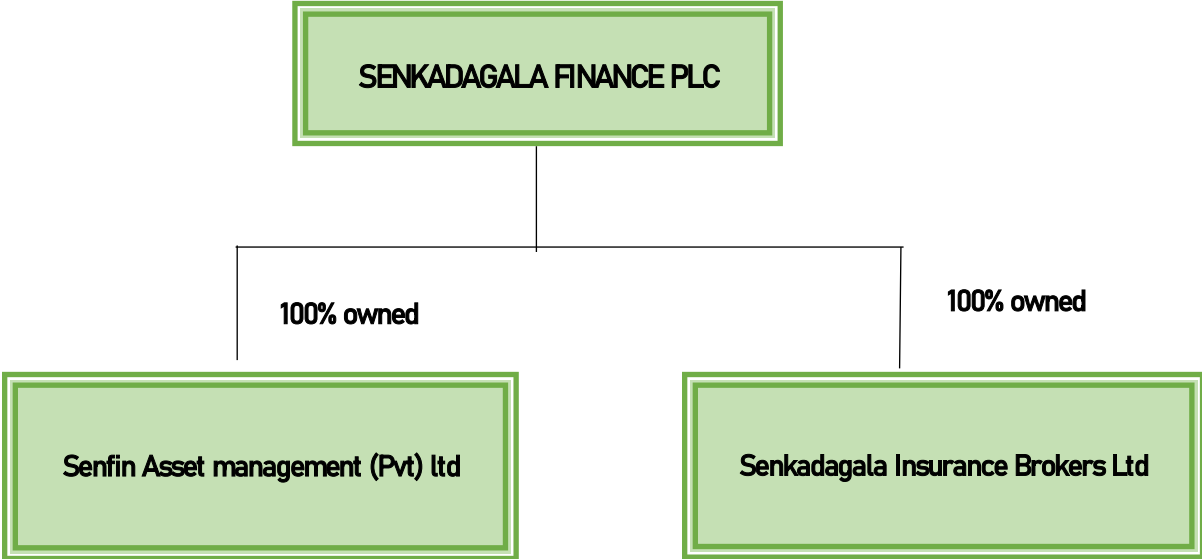
### **The Fund Manager and Registrar of the Fund**

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.

**Group Structure**



## **Investment Committee**

SFAM's investment philosophy is based on 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. SFAM also utilizes the expertise of the investment committee to make industry and entity investment decisions. The Investment Committee consists of experts in the field of asset management and includes the following external members:

### **Mr. Mahendra Jayasekera**

Mr. Mahendra Jayasekera is the Managing Director of Lanka Walltiles PLC, Lanka Tiles PLC, Swisstek (Ceylon) PLC, Lanka Ceramic PLC and Swisstek Aluminium Limited. He is also a Director of HNB Assurance PLC, Uni Dil Packaging Limited and Uni Dil Packaging Solutions Limited. Mr. Jayasekera holds a BSc Special (Hons) degree in Business Administration from the University of Sri Jayawardenapura and is a Fellow of the Institute of Chartered Accountants of Sri Lanka.

### **Mr. Alastair Corera, CFA**

Mr. Alastair Corera is an Executive Director of Orion Fund Management (Pvt) Ltd., a position he has held since 2006. Previously, he was at Fitch Ratings Lanka Ltd. where he headed the Financial Institutions team and was its Country Head from 2004 to 2006. Prior to that he was General Manager at Forbes ABN AMRO Securities (Pvt) Ltd. Mr. Corera is a Chartered Financial Analyst, USA and a Fellow of the Chartered Institute of Management Accountants, UK. He is an Independent Non-Executive Director in Citizens Development Business Finance PLC.

### **Mr. Keshav Balasuriya**

Mr. Keshav Balasuriya is an Investment/Portfolio Manager at E.W. Balasuriya & Co (Pvt) Ltd., covering Listed Equities, Fixed Income and Real Estate asset classes. He is also a member of the Treasury Department at Senkadagala Finance PLC. Mr. Balasuriya holds an MSc (Hons) degree in Computer Science from the University of Bristol and a Master of Finance (MFin) from the University of Cambridge.

## **The Trustee and Custodian for the Fund**

The Trustee and Custodian of the Fund is Hatton National Bank PLC.

Hatton National Bank PLC (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 9<sup>th</sup> 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.

## 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, 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.

*Sgd*

Director

*Sgd*

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.

*Sgd*

Director

*Sgd*

Director