

# EXPLANATORY MEMORANDUM

This Memorandum is dated 12<sup>th</sup> of July 2019

## ASTRUE ALPHA FUND

Managers to the Fund

*Asset Trust Management (Private) Limited*

No 32/1 Dudley Senanayake Mawatha (Castle Street),  
Colombo 08  
Sri Lanka

Tel: 0112680536, 0112675077

Fax: 0112680941

Email: [info@atml.lk](mailto:info@atml.lk)

Trustee

**Hatton National Bank Plc**



## ASTRUE Alpha Fund

### Fund Highlights

<b>Fund Type</b>	
Name of the Fund	ASTRUE Alpha Fund
Nature of the Fund	Open Ended
Investment Objective	The primary investment objective of the Astrue Alpha Fund is to achieve capital growth for investors by investing in a portfolio of equities listed on the Colombo Stock Exchange.
<b>Dealing Information</b>	
Launch date	1 <sup>st</sup> July 2014
Initial Offer Price	Rs.10/- per unit
Initial Offer Period	1 <sup>st</sup> July 2014 to 31 <sup>st</sup> July 2014
Minimum Investment	Rs.10,000/- and in multiples of Rs.1,000/- thereafter
Valuation	Daily
Currency denomination	Sri Lanka Rupees
<b>Fees Payable by the Unit holder</b>	
Front – End Fee	1% will be payable on the subscription/purchase of units
Exit Fee	3% in year 1, 2% in year 2, 1% in year 3, 0% in year 4
<b>Fees Payable by the Fund</b>	
Management Fees	Fixed fee of 1.5% p.a. on the Net Asset Value of the fund  Performance Fee of 20% of excess returns over the growth in the S&P Sri Lanka 20 index calculated daily and paid out annually
Trustee Fees	0.25% p.a. on the Net Asset Value of the fund
Custodian Fees	Rs.25,000/- per month
<b>Tax Payable by the Fund</b>	
Capital Gains Tax	Nil
Income Tax	Nil
Economic Service Charge	Nil
<b>The Managers &amp; Trustee</b>	
Managers	Asset Trust Management (Pvt) Ltd
Trustee & Custodian	Hatton National Bank Plc
<b>Report &amp; Accounts</b>	Unit holders are entitled to the annual report of the Fund together with periodic statements of accounts as and when published.

## IMPORTANT INFORMATION

**Asset Trust Management (Pvt) Ltd** is licensed by the Securities and Exchange Commission of Sri Lanka, to manage “**ASTRUE Alpha Fund**”, which is an open ended Unit Trust as defined in the Securities and Exchange Commission Act No 36 of 1987 as amended, or any other statutory regulations thereof.

Units of **ASTRUE Alpha Fund** are offered solely on the basis of information contained in this Explanatory Memorandum and the documents referred to herein. Any information or representation (not contained herein) given or made by a dealer, salesman or other person should be regarded as unauthorized and accordingly must not be relied upon. This Explanatory Memorandum should be read in conjunction with the Trust Deed of the Fund.

READ AND RETAIN THIS MEMORANDUM FOR FUTURE REFERENCE. THIS EXPLANATORY MEMORANDUM IS BASED ON THE LAW AND PRACTICE CURRENTLY IN FORCE IN SRI LANKA AND IS SUBJECT TO CHANGES THEREIN. INVESTORS WHO HAVE ANY DOUBT AS TO THE CONTENTS OF THIS DOCUMENT SHOULD SEEK INDEPENDENT PROFESSIONAL FINANCIAL AND/OR LEGAL ADVICE.

THE PRICES OF UNITS COULD FALL OR RISE FROM TIME TO TIME DUE TO MARKET FLUCTUATIONS.

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

All enquiries about the **ASTRUE Alpha Fund** should be directed to the Managers,

**ASSET TRUST MANAGEMENT (PVT) LTD**

No 32/1 Dudley Senanayake Mawatha (Castle Street),  
Colombo 08, Sri Lanka.

Tel: 011- 0112680536, 0112675077

Fax: 011- 0112680941

Email: info@atml.lk

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## Directory

### **MANAGERS AND REGISTRAR**

Asset Trust Management (Pvt) Ltd  
No 32/1 Dudley Senanayake Mawatha (Castle Street),  
Colombo 08, Sri Lanka.

### **TRUSTEE & CUSTODIAN**

Hatton National Bank Plc  
No. 479 T B Jayah Mawatha,  
Colombo 10, Sri Lanka.

### **THE SHAREHOLDERS OF THE MANAGERS**

SAFE Holdings (Pvt) Ltd  
Ceylinco General Insurance Ltd  
Lalan Rubber Holdings (Pvt) Ltd  
Richard Pieris & Company PLC

### **BOARD OF DIRECTORS OF THE MANAGERS**

Eastman Narangoda - Chairman  
Ekanayake Mudiyansele Mangala Boyagoda – Director  
N. Vasantha Kumar – Non Executive Director  
Denagama Witharana Patabendige Upali – Non Executive Director  
Dilshan Hettiaratchi – Non Executive Director

### **INVESTMENT ADVISORY PANEL TO THE FUND**

Dr. Anura Ekanayake  
Mangala Boyagoda  
Upali Witharana  
Dilshan Hettiaratchi

### **AUDITORS FOR THE MANAGERS**

B.R. De Silva & Company  
No 22/4 Wijaya Kumaranatunga Mawatha,  
Colombo 05, Sri Lanka.

### **AUDITORS**

Kreston MNS & Co.  
Advantage Building, 1st Floor,  
74A Srimath Anagarika Dharmapala Mawatha,  
Colombo 7, Sri Lanka.

### **TAX ADVISORS FOR THE FUND**

Ernst & Young  
Chartered Accountants  
No 201 De Saram Place,  
Colombo 10, Sri Lanka.

### **LAWYERS TO THE MANAGERS**

Nithya Partners  
Attorneys-at-Law  
No 97A Galle Road,  
Colombo 3, Sri Lanka.

### **BANKERS**

Sampath Bank PLC  
Hatton National Bank PLC

## **1.0 The ASTRUE Alpha Fund**

### **1.1 Introduction**

ASTRUE Alpha Fund (hereinafter referred to as “the Fund”) is an Open Ended Unit Trust established under the laws of the Securities Exchange Commission of Sri Lanka. Investment in the Fund involves risks which are set out in Section 1.10. The Fund is subject to the investment restrictions set out in Section 1.8 and liquidity requirements set out in Section 1.11 of this Explanatory Memorandum.

### **1.2 Investment Objective**

The primary investment objective of the Astrue Alpha Fund is to achieve capital growth for investors by investing in a portfolio of equities listed on the Colombo Stock Exchange.

### **1.3 Investment Offering**

The ASTRUE Alpha Fund would be open for subscription for the first time at the Initial Offer Price of Rs.10/- each per unit during the Initial Offer Period, which would be from 1<sup>st</sup> July 2014 to 31<sup>st</sup> July 2014. Thereafter the Managers would accept applications for the issue of Units only at the prevailing offer price per unit. The minimum subscription for units of the Fund would be Rupees Ten Thousand (Rs.10,000/-) and multiples of Rs.1,000/- thereon.

### **1.4 Investment Strategy**

The ASTRUE Alpha Fund will use a multi-strategy approach designed to generate returns over a range of market conditions. By maintaining a diversified exposure to multiple strategies such as Growth, Value and Trading, the fund aims to reduce the volatility that can often characterize the use of a single investment strategy, take advantage of various market characteristics while also seeking to preserve capital during adverse market conditions.

### **1.5 Investment Process**

The investment process will be underpinned by fundamental research with investment strategy based on both quantitative and qualitative methods targeted to produce positive returns over the short, medium and longer-term. The investment philosophy will integrate economic analysis, security analysis, and portfolio management into a comprehensive process that seeks to achieve the maximum total return consistent with the minimum acceptable risk.

A top down strategy will be used to construct asset allocations focusing on the structural changes occurring in Sri Lanka and key investment sectors. Meanwhile, a bottom up strategy will be used to select stocks based on fundamental stock analysis focusing on in-house economic models, the financial strength of companies and an analysis of companies’ business models and competitive advantage.

The timing of stock purchases and sales will be based on valuations, news flow and liquidity analysis. The portfolio will be constantly monitored and investments re-appraised, particularly through company visits. Equity selection will comprise of companies that are relatively undervalued compared to their true profitability, have robust management, are cash generative and have improving economic value added.

## **1.6 Investment Parameters**

The ASTRUE Alpha Fund will invest in the following instruments as below;

- Equities listed on the Colombo Stock Exchange
- Cash or near cash.

## **1.7 Portfolio Construction**

The portfolio will be constructed to ensure that it conforms with the strategic views and any thematic considerations as appropriate. Portfolio weightings will be refined and tailored to meet specific market conditions. The portfolio will be reviewed regularly against the prevailing strategy and assessed to ensure that it is in line with the overall investment philosophy.

## **1.8 Investment Restrictions**

The Fund will make investments within the investment parameters set out by the Commission and changes made from time to time to the Unit Trust Code and the ASTRUE Alpha Fund Trust Deed which is referred in Section 14.9 of the said Deed.

The Unit Trust Code 2011 sets out restrictions and prohibitions on certain investments. Unless permitted by the Commission, the Managers are precluded from making investments in any of the following.

- (a) investments in commodities, futures and options;
- (b) investment in real estate, other than investment in real estate investment companies or companies that have real estate investment activities;
- (c) investment for the purpose of gaining management control of a company in which the unit trust has purchased share capital;
- (d) investment in unlisted securities or foreign securities;
- (e) investment in any asset which involves the assumption of unlimited liability;
- (f) Purchase any securities on margin, except to obtain short term credit as may be required for the clearance of purchases and sales of portfolio securities);
- (g) Such other investments as may be designated from time to time by the Commission as being investments that are not to be undertaken by a managing company.

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



## 1.9 Investment Guidelines

- a) The Fund will only invest in equities listed on the Colombo Stock Exchange as prescribed in the ASTRUE Alpha Trust Deed.
- b) Investment by the Fund in any particular entity will not exceed 15% of NAV at the time of making the investment.
- c) The Fund may invest up to 15% of its NAV in initial public offerings, private placements, rights issues or warrants of listed equities.
- d) The fund may invest in cash or near cash at any time to meet redemptions or for capital preservation purposes.
- e) The Fund is permitted to borrow up to 15% of its NAV at any relevant time in order to meet short term liquidity requirements such as redemptions.

## 1.10 Risk Considerations

The Manager recommends that investment in the Fund should form only a moderate proportion of an investment portfolio and should be viewed as a medium to long term investment. This investment may not be appropriate for all investors. Investing in the Fund bears certain risks that are normally associated with making investments in securities. The value of the Units of this Fund and the income accruing to the Fund can fall or rise based on the interest rate environment.

The Fund is also subject to various degrees of regulatory, fiscal, liquidity, inflation, interest rate and re-investment risks. No representation is made that the fund's investment objective will be achieved. Many factors can affect the value of the Fund and its investments. Some of the principal risk factors are discussed below.

- **Stock Market Risk:** Stock markets are volatile, and there is a risk that the price of a security will rise or fall due to changing economic, political or market conditions, as well as company-specific factors. The price of an individual security or a particular type of security can be more volatile than the market as a whole and can fluctuate differently than the market. An individual issuer's securities can rise or fall significantly based on factors such as earnings report, news about the development of a promising product, distribution difficulties or the loss of key management personnel. Consequently, the value of an investment in the Fund may fluctuate over time and there can be no assurance that the Fund will achieve its investment objective or that a Shareholder will recover the full amount invested in the Fund.
- **Interest Rate Risk:** The Fund's investments can be affected by changes in the general level of interest rates. Prices of securities may change as interest rates increase or decline and as such volatility in interest rates could adversely affect the performance of the fund.

- **Liquidity Risk:** Low trading volumes could limit the fund's ability to buy or sell securities at a price or time the Manager considers appropriate. If the size of the purchases or disposals are sufficiently large, or the market is illiquid, then there is a risk that the price at which the securities are bought or sold may adversely affect the Net Asset Value of the fund.
- **Inflation risk:** Inflation risk is the uncertainty that returns from this Fund may not cover the loss of purchasing power caused by inflation or the uncertainty of having negative real returns from this Fund.
- **Exchange risk:** Volatility in exchange rates may affect investors who have to convert returns on the fund from Sri Lankan Rupees to other currencies
- **Substantial Redemption Risk:** If there are significant Redemptions within a limited period of time, it may be difficult for the Fund to provide enough cash to meet such Redemptions without liquidating positions prematurely or upon unfavourable terms. This may result in significant losses to the Fund.
- **Strategy Risk:** In response to market, economic, political or other conditions, the Manager may temporarily use a different investment strategy for the Fund. Such a strategy could include investing a relatively significant amount of the Fund's assets in cash or cash equivalents. If the Manager does so, it could affect the Fund's performance and the Fund might not achieve its investment objective.
- **Counterparty Credit & Settlement Risk:** All security investments are transacted through brokers who have been approved by the Manager as an acceptable counterparty. There is a risk of loss if a counterparty fails to perform its financial or other obligations to the funds, for example, the possibility that a counterparty may default, by failing to make payments due, or make payments in a timely manner which could adversely affect the NAV of the fund.

### 1.11 Liquidity

Unless otherwise permitted by the Commission, the Fund shall maintain a level of liquidity amounting to at least three per centum (3%) of the Deposited Property in cash or Near Cash to assure ease of redemptions.

### 1.12 Borrowing Powers

Subject to the provisions of Statutory requirements, the Trustee may, at any time at the request of the Managers, make arrangements for the borrowing by the Trustee on account of the Trust for the purpose of enabling the Managers to meet the short term liquidity requirements of the Fund.

The Trustee may with the consent of the Managers, mortgage, charge or pledge in any manner not exceeding fifteen per centum (15%) of the total assets of the Deposited Property for the purposes of securing any such borrowing.

Such borrowings shall become repayable in the event of the termination of the Trust.

### 1.13 Fee Structure

The fee structure applicable for the ASTRUE Alpha Fund is as follows:

<u>Type of Fees</u>	<u>Fee</u>
<b>Management fee</b>	<b>Fixed fee of 1.5%</b> per annum on the Net Asset Value of the Deposited Property calculated daily and payable monthly.  <b>Performance fee of 20%</b> of excess returns over the growth in the S&P Sri Lanka 20 index calculated daily and paid out annually
<b>Trustee fee</b>	0.25% per annum of the Net Asset Value of the Deposited Property
<b>Custodian fees</b>	Rs.25,000/- per month.
<b>Front End fee</b>	1% will be payable by investors on the subscription monies accepted for allotment of units during the initial offer period. Following the offer period, a front end fee of 1% will be charged on the NAV units allotted.
<b>Exit fee</b>	3% will be charged on the NAV on redemption in Year 1, 2% in Year 2, 1% in Year 3 while a 0% exit fee will be charged in Year 4

**Expenses Chargeable to the Fund:** Full details of administrative and professional expenses payable by the Fund and which are a charge on the deposited property is set out below.

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

- (g) All costs incurred by the Managers in communicating with the unit holders in general and include cost of producing and dispatching newsletters, periodicals, reports etc.
- (h) All costs incurred in respect of dividend distribution.
- (i) All other charges and fees expressly authorized by the Trust Deed or by law.

The Managers are responsible for the charges and fees of any Advisors, Investment Consultants and Agents retained by them.

## **1.14 Distribution Policy**

The Managers may at their sole discretion decide to distribute any part of the Fund's net income and realized capital gains to its Unit Holders each year in the form of dividends. The Managers have discretion as to whether or not to make any distribution of dividends, the frequency of distribution and amount of dividends.

## **2.0 The Management of the Fund**

### **2.1 The Managers and Registrar**

Asset Trust Management (Pvt) Ltd having its registered office at No 32/1, Dudley Senanayake Mawatha (Castle Street), Colombo 08 was formerly known as Wealth Trust Corporation (Pvt) Ltd (WTC). Asset Trust Management (Pvt) Limited (ATML), is the Managers and Registrar for 'ASTRUE' Unit Trust funds.

ATML is an investment management & unit trust company incorporated in Sri Lanka in February 2008. The primary objective of the company is providing portfolio management services, managing unit trusts and other related services to clients under license from Securities and Exchange Commission of Sri Lanka. In its span of 10 years of operation ATML has built up a significant fund base and has managed portfolios of approximately Rs.1.0 billion, consisting of both government securities as well as corporate debts.

The core values of the company are centered on integrity and relationships. ATML offers investors a relationship that couples personal insight with professional expertise, backed by access to some of the industry's most respected talent in wealth structuring, investment management, estate planning, taxation, private business finance and the strategic use of credit.

The Managers role is to manage the Fund in accordance with the provisions of the Securities and Exchange Commission Act No. 36 of 1987, Trust Deed, Explanatory Memorandum, Unit Trust Code and any directives issued by the Commission from time to time. Its functions include the issue and redemption of Units on behalf of the Fund, and making investments and divestments on behalf of the Fund in order to secure the objectives of the Fund.

ATML will be the Registrar to the Fund. The Registrar's role is to maintain the Register of Unit Holders and communicate with the Unit Holders, at the last known address held in the records of the Registrar, with regard to all matters pertaining to the sale of units, redemption of units and dispatch of dividends and periodic reports.

SAFE Holdings (Pvt) Ltd, [formerly known as South Asia Finance Excel Investments (Pvt) Ltd], the holding company of ATML has a stake in Wealth Trust Securities Ltd, a Central Bank of Sri Lanka approved Primary Dealer dealing in Government Securities.

## **2.2 The Major Shareholders and Percentage Holding**

### **2.2.1 SAFE Holdings (Pvt) Ltd (71%)**

SAFE Holdings (Pvt) Ltd, (formerly known as South Asia Finance Excel Investments (Pvt) Ltd,) is a company promoted by 3 former bankers, incorporated in June 2005. The Company is engaged in strategic investments such as WealthTrust Securities Ltd (a primary dealer under license from Central Bank of Sri Lanka)

### **2.2.2 Ceylinco General Insurance Ltd (10%)**

Ceylinco Insurance PLC was incorporated in 1939 and has been the market leader in the insurance arena for several years. It has the accreditation of being judged the "Most Innovative Insurance Company in Asia" at the Asia Insurance Industry awards. The company was subsequently split into two entities, namely Ceylinco Life Insurance Ltd and Ceylinco General Insurance Ltd in 2014. Ceylinco General Insurance Ltd has a total asset base of approximately LKR 26 billion with 470 branches spread across the island.

### **2.2.3 Richard Pieris & Company PLC (10%)**

Richard Pieris & Company PLC is one of the largest and most successful diversified business conglomerates based in Sri Lanka. Being one of the oldest companies with an 80 year old history, it is also one of the largest employment providers in the private sector in the country. The group has its local market leadership in its traditional sectors of Rubber, Tyres, Plastics, Retail and Distribution. In addition the Group has in recent times ventured into Plantations, Financial Services & Construction Logistics.

## **2.3 Board of Directors of the Managing Company**

- **Eastman Narangoda** - FIMS (UK), FITD (SL), FIB (SL), BA (Econ) & Dip In Advanced Bank Management (Stockholm)  
**Chairman**

*Non-Executive Director, Eswaran Brothers Exports (Pvt) Ltd*

*Former, Chairman of Seylan Bank PLC, Chairman of George Steuart Finance PLC, Chief Executive Officer of National Savings Bank of Sri Lanka, Director of the Institute of Bankers, Director NSB Fund Management Company, Director / Vice Chairman of*

Financial Ombudsman (Sri Lanka) Ltd, President of the Association of Professional Bankers of Sri Lanka, Commissioner Presidential Commission on Failed Finance Companies.

*President*, Sri Lanka Institute of Training & Development.

- **N. Vasantha Kumar** – MBA, Dip In Professional Treasury Management

*Former*, Chief Executive Officer/General Manager of People's Bank, Director in People's Merchant Finance PLC, People's Insurance Ltd and other Associate and Subsidiary companies of People's Bank. He was a member of the Governing Board of the institute of Bankers of Sri Lanka. He is the past president of the Association of Primary Dealers and Sri Lanka Forex Association.

- **Mangala Boyagoda** - MBA (UK)  
**Director**

*Director* SAFE Holdings (Pvt) Ltd, WealthTrust Securities Ltd, Wealth Lanka Management (Pvt) Ltd, Ceylon Hotels Corporation PLC, Sierra Construction Ltd, Dankotuwa Porcelain PLC, Cargills Bank PLC, Sri Lanka Gateway Industries (Pvt) Ltd, Ceylinco General Insurance Ltd, Faber Capital Lanka (Pvt) Ltd, Chemanex PLC, Asset Holding (Pvt) Ltd, C A Crushing (Pvt.) Ltd, Ambeon Holding PLC, Royal Fernwood Ltd

*Former* Chief Executive Officer of Standard Chartered Bank, Managing Director/Chief Executive Officer of National Wealth Corporation Ltd, Senior Vice President of DFCC Bank, Head of Treasury of Union Bank of Colombo Ltd, General Manager Fixed Income Securities of Waddock Mackenzie Ltd, Head of Treasury of Bank of Ceylon, Local Consultant to the World Bank, USAID & ADB, Consultant to the Securities & Exchange Commission of Sri Lanka & Bangladesh, Senior Consultant to the Central Bank of Sri Lanka and a Member of the Financial Reform Committee.

- **Denagama Witharana Patabendige Upali** – ACMA (UK), Fellow Member of Institute of Certified Management Accountants of Sri Lanka.  
**Non-Executive Director**

*Non-Executive Director*, Ceylinco Insurance PLC

*Director/Deputy Managing Director*, Ceylinco General Insurance Ltd.

He carries over 29 years of experience in the field of Accountancy.

- **Dilshan Hettiaratchi**, CFA, ACMA (UK), MBA from University of Colombo  
**Non-Executive Director**

*Managing Director*, Faber Capital Ltd, Dubai, UAE

*Non-Executive Director*, Amana Bank PLC

*Former* Managing Director and Head of Debt Capital Markets, MENA and Pakistan for Standard Chartered Bank, based in Dubai. Helped issuers raise over USD 70 billion through the Bond and Sukuk markets and has assisted a number of high sovereign and high profile corporate issuers access the Debt Capital Markets. Helped build SCB's Middle East Debt Capital Markets franchise which was regularly within the top three arrangers on both the GCC International Bond and Sukuk league for a number of years.

## **2.4 The Trustee and Custodian**

The Trustee and Custodian of the ASTRUE Alpha Fund is Hatton National Bank Plc. Hatton National Bank is a publicly quoted company listed on the Colombo Stock Exchange and is one of the leading commercial banks in Sri Lanka.

The Trustee's role is mainly to act as a Custodian of the Deposited Property and to hold such property on behalf of the Fund. Hatton National Bank Plc, as the Trustee to the Fund will exercise due diligence and vigilance over the Fund with the objective of safeguarding the interest of the Unit Holders. The Trustee, as the legal owner of the Fund's assets will be responsible to ensure the Fund is managed by the managing company in accordance with the provisions of the Act, the Trust Deed, the Managing Company's last published Explanatory Memorandum, the Unit Trust Code 2011 and the directives issued by the Commission from time to time.

The Trustee shall carry out the instructions given from time to time by the Managing Company as to the investments of the Deposited Property in accordance with the provisions of the Trust Deed and the directives issued by the Commission from time to time.

## **2.5 The Authorized Agent/ Distributor**

The Managers may appoint one or more Authorized Agent(s)/Distributor(s) to distribute Units of this Fund and to receive applications for subscription, redemption and/or switching of Units on the Manager's behalf. The Authorized Agent(s)/Distributor(s) will not have any other role in the management of the Fund. Any commissions or fees payable to them will be paid out of the Managers' income.

## **3.0 Issue and Redemption of Units under this Memorandum**

### **3.1 Who can Invest**

Applications for investment in ASTRUE Alpha Fund could be made by:

- a) Citizens of Sri Lanka, individually or jointly, companies and institutions incorporated in Sri Lanka.
- b) Approved provident funds, pension funds and other legally constituted bodies incorporated in Sri Lanka.
- c) Non-Resident Sri Lankans, under schemes approved by the relevant authority.
- d) Citizens of foreign states, whether resident in or outside Sri Lanka, companies with limited liability or corporate bodies established or incorporated outside Sri Lanka may apply for the purchase of units, subject to any approval which may be required from time to time of the Director, Department of Foreign Exchange, Central Bank and the Commission.
- e) Minors as the first holder when applied jointly with parent, legally appointed guardian or curator. In such case, dividends if any, as and when distributed by the Fund will be cumulatively re-invested in Units until the minor attains majority.

### **3.2 Initial Offer Period**

Managers would accept applications for the issue of Units at the Initial Offer (Selling) Price of Rs.10/- per unit during the Initial Offer Period which would be from 1<sup>st</sup> July 2014 to 31<sup>st</sup> July 2014.

### **3.3 Subsequent Issue of Units**

The Fund will be open for new subscriptions for the issue of units (subsequent to the initial offer period) on any dealing day, provided the Managers receive before 2.00 p.m., the duly completed application form together with realized funds. Applications received or funds realized after 2.00 p.m. will be held over until the next business day.

The Authorized Agent/Distributor(s) may impose an earlier cut-off time before 2.00 p.m. for receiving instructions for subscriptions. Investors should confirm the arrangements with the Authorized Agent/Distributor concerned.

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

### **3.4 Application Procedure**

To purchase Units, an investor should complete the Application Form. Copies of this Explanatory Memorandum and Application Forms can be obtained from the office of the Managers or the Authorized Agent/Distributor(s) appointed by the Managers from time to time. The duly completed Application Form, together with the full amount payable on



application, should be sent to the Managers directly or through an Authorized Agent/Distributors (**No cash is accepted**).

- Cheques can be deposited directly into the **Astrue Alpha Fund Bank account number: 00301-0528-601** at Hatton National Bank PLC. The original Customer's Copy of the Bank Deposit Slip (proof of payment) must be sent to the Managers together with the application for units.
- Alternatively, a person may attach his cheque to the application form and send it to the Managers. Cheques and bank drafts must be made payable to “**ASTRUE ALPHA FUND**” and crossed “**ACCOUNT PAYEE ONLY**”.

The mailing address is:

Asset Trust Management (Pvt) Ltd  
No 32/1, Dudley Senanayake Mawatha (Castle Street),  
Colombo 08,  
Sri Lanka.

- **Payments should NOT be made in cash.**

**The allotment of units is upon receipt of duly perfected application form and upon realization of funds to the account.**

**Clients transacting through agents are advised to contact the ATML office and speak to an officer with regard to the risks in investing in the ASTRUE Alpha Fund (if so required)**

The Managers reserve the right to reject any application in whole or in part. In the event that an application is rejected, application moneys will be returned without interest by crossed cheque through ordinary post.

### **3.5 Minimum Subscription**

The minimum initial subscription for units of the Fund would be Rupees Ten Thousand (Rs.10,000/-) and multiples of Rupees One Thousand (Rs.1,000/-) thereon.

The Managers will, at all times, ensure to maintain a minimum of 50 unit holders, or as determined by the Commission from time to time.

### **3.6 Evidence of Title**

Evidence of ownership of Units will be in the form of **Transaction Receipts** and no printed certificate will be issued. The Units are held electronically in the computer system of the Managers. The Unit Holder will be issued with a computer generated “Transaction Receipt” when Units are purchased by the Unit Holder from the Managers, indicating the

- (i) Name and address of the Managers and the Trustee.
- (ii) Name and address of the Unit Holder as appearing in the Unit Holder register.
- (iii) Number of Units purchased by the Unit Holder and
- (iv) Date of the transaction.

The Unit Holder will also be issued with a half yearly statement (as at 30<sup>th</sup> September & 31<sup>st</sup> March) containing a confirmation of the Unit holding.

The register of Unit Holders maintained by the Managers shall be the conclusive evidence of the person entitled to the Units entered therein. **Unit holders should therefore be aware of the importance of ensuring that the Managers are informed, as soon as possible, of any change to the registered details, such as forwarding address, bank account numbers, contact details, or other information provided by the Unit Holder.**

### 3.7 Redemption of Units

Unit Holders may redeem their Units on any dealing day at the Managers Redemption (Buying) price prevalent on any Dealing Day, provided the Managers receive the duly completed Redemption Request Form before 2.00 p.m. on the Business Day. The Authorized Agent/Distributor(s) may impose an earlier cut-off time before 2.00 p.m. for receiving instructions for redemptions. Investors should confirm the arrangements with the Authorized Agent/Distributor concerned. Any request for redemption after 2.00 p.m. will be processed on the following Business Day. The Redemption Request Forms can be obtained from the office of the Managers or the Authorized Agent/Distributor(s) appointed by the Managers from time to time.

Unit holders could redeem their units in whole or in part provided the minimum holding is not less than 1,000 units after such redemption is made. If the number of remaining units is less than 1,000 units, the Managers' reserve the right to redeem the remaining units and pay the proceeds to the investor.

Payment of redemption proceeds will be made in Sri Lanka Rupees to the first holder and will be dispatched by crossed 'Account Payee Only' cheque by ordinary post within 7 Business Days after the date of receipt of a request for redemption. Unit Holders have the option of requesting redemption proceeds by way of a direct transfer into a bank account bearing the name of the redeeming Unit Holder. 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 Managers do not assume liability, for any delays in the investor receiving value for the above payments.

If the total amount to be redeemed is greater than or equal to five per centum of the Net Asset Value based on the market value of the Fund, the unit holder will be required to give the Managers written instructions of fourteen (14) market days prior to the date of redemption. 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 Manager notifies the Commission in writing of such deferral. Payment of Redemption proceeds may be delayed if there are any specific statutory provisions such as foreign exchange restrictions, or any circumstances beyond the

Fund's control which make it impossible or impracticable to transfer the Redemption proceeds to the Unit holder who has requested the Redemption. The redemption will be carried out at the Managers Buying Price on the redemption date.

### 3.8 Transfer of Units

Unit Holders may transfer some or all of their units in the Fund to another party by completing a Transfer Form. Each transfer would cost the Unit Holder a fee of Rupees Five Hundred (Rs.500/-).

The transferor will be deemed to remain the holder of the Units transferred until the name of the transferee is entered in the register of Unit holders in respect of such units.

### 3.9 Valuation of Units

The prices at which investors may subscribe for or redeem units, are calculated on each Dealing Day on a forward pricing method by reference to the Net Asset Value of the fund as at the close of business on the valuation date as defined in the ASTRUE Alpha Fund Trust Deed.

The **Managers Offer (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 value of the net assets of the Fund as at 4.00 p.m. (Sri Lanka time) on the valuation day.
- (b) Adding the Front End Fee and such sum that the Managers may consider as representing the appropriate provision for duties and charges.
- (c) Dividing the resulting sum by the number of units in issue and deemed to be in issue on that day.

The **Managers Redemption (Buying) Price** for redemptions as at any dealing day shall be determined by,

- (a) Ascertaining the value of the net assets of the Fund as at 4.00 p.m. (Sri Lanka time) on that day.
- (b) Deducting the Exit Fee and such sum that the Managers may consider as representing the appropriate duties and charges.
- (c) Dividing the resulting sum by the number of units in issue and deemed to be in issue on that day.

### 3.10 Dividend Distributions

If any dividend distributions are made by the Fund, Unit Holders have the option of receiving dividends in the form of cash or in units by re-investing the dividends in ASTRUE Alpha Fund.

Dividend payments will be made in Sri Lanka Rupees to the first holder only and dispatched by ordinary post, after the declaration of the dividend. Unit Holders have the option of requesting dividend payments by way of a direct transfer into the relevant bank account. 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 Managers do not assume liability, for any delays in the investor receiving value for the above payments.

Unit Holders may choose to reinvest the dividend declared back in ASTRUE Alpha Fund. The dividends of Unit Holders who request for automatic re-investment will be allotted units at the Managers Selling Price. The Unit Holder will be issued with a computer generated "Transaction Receipt" indicating the units thus allotted, in addition to the dividend notice.

**Dividends belonging to minors will be automatically reinvested in units.**

Any distribution which is not claimed by the Unit Holder for a period of six (6) months after the date of distribution, shall be re-invested by the Managers (less any charges in processing the relevant transaction) into units at the Managers Selling Price prevailing on the date, and the amount of Units lying to the credit of the Unit Holder will be increased.

### **3.11 Publication of Prices**

The **Managers Selling Price** and **Managers Buying Price** of the Fund will be published daily in at least one leading Sri Lankan daily newspaper.

### **3.12 Currency Denomination**

The issue and redemption of units and payments of dividend distributions of ASTRUE Alpha Fund will be made only in Sri Lanka Rupees.

## **4.0 General Information**

### **4.1 Rights of Unit Holders**

The Unit Holder shall have the right to:

- i) Inspect the Trust Deed at the office of the Managers during office hours free of charge. Copies of the Trust Deed priced at Rs.1,000/- can be purchased from the Managers, at their office on any working day, at No 32/1, Dudley Senanayake Mawatha (Castle Street), Colombo 08, from 9.00 a.m. to 3.00 p.m.
- ii) Redeem subject to the conditions of the Trust Deed all or some units registered in his/her name.
- iii) Receive periodical statements, annual accounts and reports of the Auditors.
- iv) Transfer the units registered in the name of a Unit Holder on the payment of the fee of Rupees Five Hundred (Rs.500/-).
- v) Participate in meetings of the Unit Holders subject to the provision of the Trust Deed.

## **4.2 Taxation**

The provisions of the Inland Revenue Act No.24 of 2017 will apply to the fund. No assurance can be given that changes in existing laws or regulations or their interpretation will not occur after the date of this Explanatory Memorandum.

Prospective investors who are in doubt as to their personal tax position should consult their own professional advisors on the implications of the acquisition, holding, transfer and redemption of Units and the receipt of income.

## **4.3 Reports and Accounts**

The Fund's financial year ends on 31<sup>st</sup> March in each year. A report on the annual accounts and the performance of the Fund will be sent to the Unit Holders annually, within three months after the end of the financial year. Unit Holders will also be sent an interim report for the 6 months period April to September.

## **4.4 Applicable Provisions**

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

**The Trustee will ensure that all debits made to the account of the Fund by the Managers would be in compliance with the provisions of the Trust Deed.**

## **4.5 Constitution of the Trust Deed**

ASTRUE Alpha Fund is constituted by a Trust Deed dated 21st May 2014 supplemented by Supplementary Trust Deed dated 07<sup>th</sup> of January 2019 between Asset Trust Management (Pvt) Ltd, as the Managers and Hatton National Bank Plc, as the Trustee. The Trust Deed is constituted under the laws of the Democratic Socialist Republic of Sri Lanka. In the event of any inconsistency between this Explanatory Memorandum and the Trust Deed, the provisions of the Trust Deed shall prevail.

## **4.6 Approval of the Securities and Exchange Commission**

The Securities and Exchange Commission has approved this Explanatory Memorandum as suitable for distribution among prospective investors of the ASTRUE Alpha Fund.

## **4.7 Date of this Explanatory Memorandum**

This Explanatory Memorandum is dated 12<sup>th</sup> of July 2019.

## DECLARATION BY THE TRUSTEES AND THE MANAGEMENT COMPANY

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

HATTON NATIONAL BANK PLC the Trustee and ASSET TRUST MANAGEMENT (PVT) LTD the Managers of ASTRUE Alpha Fund hereby declare that,

- a) the transactions will be carried out at an arms-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;
- b) the requirements of the Guidelines for Trustees and Managing Companies of Unit Trusts Funds set out by the Securities & Exchange Commission of Sri Lanka, will be complied with.

*Signed*

*Signed*

Director  
Asset Trust Management (Pvt) Ltd

Trustees  
Hatton National Bank Plc

## DECLARATION BY THE MANAGEMENT COMPANY

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

*Signed*

*Signed*

Director  
Asset Trust Management (Pvt) Ltd

Director  
Asset Trust Management (Pvt) Ltd

## Glossary of Terms

"**Business Day**" means a day on which Commercial Banks are generally open for business in Sri Lanka.

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

"**Custodian Fee**" means the payment to be received by the Custodian out of the Deposited Property as remuneration for the services rendered.

"**Dealing Day**" means a day on which subscription for Units and redemption of Units can be effected as specified in relevant schemes, introduced under the Trust Deed.

"**Deposited Property**" means all the assets (including cash & earnings on cash deposits) for the time being held or deemed to be held upon the trusts of the Trust Deed, excluding any amount for the time being standing to the credit of the Distribution Account.

"**Distribution Account**" means an account which has been set up by the Trustees to hold income for distribution to Unit Holders.

"**Exit Fee**" means the portion of the proceeds from redemption of an Unit which could be retained by the Managers equivalent to the difference between the Cancellation Price and the amount payable by the Managers to the Holder as the Redemption Price

"**Explanatory Memorandum**" means the document issued by the Managers from time to time containing information with regard to a unit trust to invite offers from members of the public to subscribe for or purchase units in the unit trust.

"**Fund**" means the Unit Trust formed pursuant to the Trust Deed.

"**Front End Fee**" means the difference between the Issue Price of an Unit and the Offer Price which may be charged by the Managers in connection with an offer of an Unit for subscription, which may be retained by the Managers.

"**Initial Offer Period**" means the initial period in which units are offered to the public as indicated in the Explanatory Memorandum of the Fund.

"**Initial Offer Price**" means the issue price of Rs.10/- per unit.

"**Managers**" or "**Fund Manager**" shall mean a managing company licensed by the Commission to operate a unit trust and for the purpose of the Trust Deed shall be Asset Trust Management (Private) Limited or any other person for the time being duly appointed as managers of the Trust in succession to Asset Trust Management (Private) Limited subject to the provisions of the Trust Deed.

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

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

"**Management Fee**" means the payment to be made to the Managers out of the Deposited Property as remuneration for the services rendered. This comprise a fixed fee and a performance fee component.

"**Near Cash**" 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 1 year which can be readily convertible into cash.

"**Net Asset Value (NAV)**" means the value of the Deposited Property less the amounts deductible subject to the provisions of the Trust Deed and any principal amount of borrowings effected by the Trust for the time being outstanding.

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

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

"**Redemption**" means the purchase of Units from the Holders by the Managers or the Trust.

"**Trust Deed**" the Legal document by which the unit trust is constituted.

"**Trustees**" means the Hatton National Bank Plc or such other person or persons for the time being duly appointed trustee or trustees hereof in succession to Hatton National Bank Plc subject to the provisions of the Trust Deed.

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

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

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

"**Unit Trust Code**" means the Unit Trust Code of 2011 framed by the Commission under the Act and any other amendments or modifications or substitutions made thereto.