

# Explanatory Memorandum

# CRESCENT *i*-FUND

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Manager



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Trustee & Custodian

Deutsche Bank



# EXPLANATORY MEMORANDUM

This memorandum is dated 19th May 2011

## **CRESCENT *i* FUND**

(Comtrust Asset Management (Pvt) Ltd. is the Managing Company licensed by the Securities and Exchange Commission of Sri Lanka to operate the said unit trust constituted by the Trust Deed dated 16th May, 2011

### **CAUTION**

**IF YOU ARE IN ANY DOUBT ABOUT THE CONTENTS OF THE EXPLANATORY MEMORANDUM YOU SHOULD CONSULT COMTRUST ASSET MANAGEMENT (PVT) LTD., YOUR BANK MANAGER, ATTORNEY-AT-LAW OR A FINANCIAL ADVISOR.**

THE PRICES OF UNITS COULD MOVE DOWN AS WELL AS UP FROM TIME TO TIME DUE TO MARKET FLUCTUATIONS

**COMTRUST ASSET MANAGEMENT (PRIVATE) LIMITED.**

# FUND

## 1.1 Introduction

The Crescent *i* Fund was created on 16<sup>th</sup> May 2011, by a Trust Deed executed between Comtrust Asset Management (Private) Limited as Managing Company and Deutsche Bank Ag Colombo as the Trustee. The Fund is an open-ended Unit Trust which can offer units to investors on a continuing basis. The trust deed confers upon the unit holders the right to have their units redeemed. The units will be in Sri Lankan Rupees.

## 1.2 Corporate Information

Trustee	Deutsche Bank AG 86 Galle Road, Colombo 3
Auditors	Pricewaterhouse Coopers 100 Braybrooke Place Colombo 2
Bankers	Commercial Bank of Ceylon Limited (IBU) 21, Bristol Street Colombo 1
Lawyers	Nithya Partners 51 Gregorys Road Colombo 7
Managing Company	Comtrust Asset Management (Private) Limited 4th Floor, MajesticCity 10 Station Road Colombo4
Shariah Advisory Council	Mr. Moulana Shafique Jakhura Mr. Maulana Murshid Mulaffar Mr. Maulana Fazil Farook

## 1.3 Investment Objectives

The investment objective of the Fund is to achieve long term capital appreciation by investing in a portfolio of equity securities. The listed securities that the Fund would be invested in would be limited to shares that conform to certain parameters as described below. Thus, investors would be afforded the opportunity to invest in shares that have been deemed Shariah-compliant by contemporary Shariah (Islamic law) scholars, as per guidelines issued by Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI ),the standard setting body for Islamic financial institutions that is based in Bahrain.

### 1.3.1. Investment Strategy and Philosophy

The Managing Company will make all investments keeping in line with the above objective of the Fund. The Managing Company will endeavor

- To achieve long term capital appreciation whilst controlling overall volatility of portfolio returns
- Invest primarily in equities that are listed on the Colombo Stock Exchange
- To maintain a satisfactory level of liquidity to meet redemptions.
- To pay a dividend on at least an annual basis from the proceeds of the dividends received from the investment portfolio as well as from the profits realized from the sale of investments.

The Fund will invest primarily in equity securities in order to achieve a satisfactory return over the long term. In making equity investments the following investment principles will generally be adhered to on careful selection of assets through fundamental research.

- ✓ Our primary focus is on investing in stocks for the long term. We place less emphasis on speculative trading on mis-priced securities and market anomalies which may provide only short term gains. This is of especially significant since speculative investments are considered abhorrent from a Shariah perspective when such trade does not adhere to Shariah requirements of trade / sale.
- ✓ All investments will be supported by fundamental research which shall be used to identify stocks that would outperform the overall market over the long term. Emphasis will be given to more liquid tradable investment securities.
- ✓ In identifying stocks, we place particular emphasis on the sustainability of earnings growth, the quality of the management team and the presence of a viable business model that can sustain growth over the long term.
- ✓ We believe that portfolios should be sufficiently diversified at all times to mitigate against excessive volatility and achieve a satisfactory risk-return trade-off.

The Fund may also temporarily invest in fixed income instruments, which are Shariah-compliant and with maturity less than one year. Such investments will be primarily made to meet the short term liquidity requirements of the fund.

The Managing Company may periodically review and change the investment strategy of the Fund subject to the approval of the Commission. However, any such revision in strategy will be in keeping with the overall investment objectives stipulated above.

## **1.4 Investment Risks**

The return of the Fund is dependent on the price movements of the securities in which the Funds of the unit trust are invested in. The Managing Company shall undertake prudent measures such as effective portfolio diversification to mitigate overall risk. However such measures do not guarantee returns or ensure that the fund objectives can be met.

Equity securities may be exposed to the overall risk of adverse movements in the stock market or due to unique risks associated with the company. Such factors may result in adverse movements in the prices of such securities, which can negatively impact the Fund's overall return.

Given that the capital structure of the company as well as the price at which share trades may alter over a period of time, shares that were once deemed permissible to be invested in under the criteria specified may, at a later stage, contradict one or more of the said criteria. While the Shariah scholars have permitted a time frame (3 months) by which time the Fund must exit from investment in such securities, it still has the effect of compelling the Managing Company to a course of action which he may otherwise may have not opted for.

## **1.5 Investment Restrictions**

- a) The Trust will have a minimum exposure limit of 40% of the Net Asset Value of the fund in listed equity securities or such other requirements that may be imposed by the Securities & Exchange Commission of Sri Lanka.
- b) Investment in Shariah-compliant fixed income securities is limited to 40% of the Net Asset Value of the fund or such other requirements that may be imposed by the Securities & Exchange Commission of Sri Lanka.
- c) The Trust may not make any investments in any of the following:-
  - (i) investments in commodities, futures and options.
  - (ii) investments in real estate, other than investment in real estate investment companies or companies that have real estate investment activities.
  - (iii) investments for the purpose of gaining management control of a company in which the Unit Trust has purchased share capital.
  - (iv) investments in unlisted securities or foreign securities.
  - (v) investment in any asset which involves the assumption of unlimited liability.
  - (vi) leverage by borrowing against securities or buying on margin except in relation to securities with fixed and determinable future maturity date and the percentage of such leverage will be determined with the approval of the Commission and stated in the Trust Deed provided that the maximum gearing a unit trust may have outstanding, does not exceed 15% of the deposited property or such other percentage as the Commission may from time to time determine.
  - (vii) such other investments as may be designated from time to time by the Commission as being investments that are not to be undertaken by the managing company.
  - (viii) 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.
- d) The Trust will not invest in companies engaged in Gaming, Pornography, Alcohol, Tobacco, Entertainment, arms and Ammunition, Hotels that serve alcohol and non-halal meats, Conventional financial institutions and producers of non-halal meats.
- e) The Trust will only invest in companies that meet the following financial criteria:-
  - 1) Total Income from non-compliant sources (including interest income) / Total Income <5%
  - 2) Interest Bearing Debt / Market Capitalisation <30%
  - 3) Interest Bearing Deposits / Market Capitalisation <30%

All investment restrictions imposed on the Managing Company are subject to the Unit Trust Code, 2004 and the general guidelines issued by the SEC from time to time

## **1.6 Registrars**

The Managing Company will also act as Registrars to the Fund. The Registrar's role is mainly to maintain records of Unitholders for registration and cancellation of units. In addition the registrars will prepare transaction receipts and dispatch them to the Unitholders and cancel units

on receipt of request for redemption. The Registrar shall also arrange for mailing of periodic reports and dividends to Unitholders.

### **1.7 Distribution of Income**

The Fund may occasionally distribute all or part of its realized income and gains to its Unitholders especially where they may benefit from tax concessions during a tax holiday period.

### **1.8 Tax Liability of the Fund**

The Fund will enjoy the following benefits as an Unit Trust authorized by the Minister of Finance.

#### **Capital Gains Tax**

Profits derived by a Unit Trust from sale of shares is exempt from Income Tax

#### **Income Tax**

The Fund will be liable to a Corporate Tax at a concessionary rate of 10% on its taxable profits.

#### **Stamp Duty**

Unit Applications, Unit Certifications and Acknowledgement of Unit Redemptions are exempt from stamp fees.

Tax Liabilities of a Unit Trust can vary from time to time according to the fiscal policies of the Government.

## **ISSUE OF UNITS**

### **2.1 The Offer**

By this Memorandum the general public are invited to purchase units in the Crescent *i* Fund ("the Fund").

The Managing Company has been licensed by the Securities and Exchange Commission of Sri Lanka to operate the Crescent *i* Fund and offer Units to investors on a continuing basis. The offer of units under this document will continue until the Managing Company offers a new Memorandum. The assets of the Fund ("Deposited Property") are held by the Trustee who is obliged to act in the best interest of the Unit Holders.

### **2.2 Who Can Apply**

Applications for the issue of units in the Fund will be entertained from the following:-

- Citizens of Sri Lanka, companies and institutions incorporated in Sri Lanka
- Minors under the age of 18 years may apply for units but the application should be made by a parent or guardian on behalf of such minor.
- Pension Funds, Provident Funds, Insurance funds and other legally constituted bodies incorporated in Sri Lanka.
- Non-resident Sri Lankans, under schemes approved by the relevant authority.
- Citizens of Foreign Countries, whether resident in or outside Sri Lanka, companies with limited liability or bodies, corporates established or incorporated outside Sri Lanka may apply for the purchase of units.

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

## **2.3 Issue Price**

The issue (Selling) price per unit inclusive of a front end fee not exceeding 1.5% is computed by the Managing Company and is published daily in the Company's website and in one of the local newspapers. This price is subject to fluctuation on a daily basis.

## **2.4 Application Forms**

Copies of this Memorandum and application forms can be obtained from the Management Company or downloaded from the Company's website or from any other sales agents appointed by the Managing Company from time to time.

## **2.5 Minimum Subscription and the Mode of Payment**

### **Local Investors**

The minimum value for subscriptions will be not less than Rs. 100,000/- (inclusive of the front end fee). The investment will be divided by the issue price applicable on the day payment, which includes the front end fee, is made to determine the number of units to be allotted.

Local investors may apply for units and make payment for units in cash, by cheque or banker's draft made payable to – "Comtrust Asset Management (Private) Limited" crossed "A/C payee only" and sent to Comtrust Asset Management (Private) Ltd., 4<sup>th</sup> Floor, Majestic City, Colombo 04, Sri Lanka. Local investors can also make direct deposit or direct fund transfers to Commercial Bank of Ceylon, City Office o/a Comtrust Asset Management (Private) Ltd., Account No. 1020087201 in any branch of the Commercial Bank of Ceylon Limited or any other sales agent appointed by the Managing Company. The creation of units is subject to the realization of funds.

### **Foreign Investors**

The minimum value of subscriptions will be not less than USD 1,000.-Foreign investors need to open a "Securities Investment Account" (SIA) with any bank in Sri Lanka including the branches of the foreign banks and remit their funds to this account with instruction to transfer the equivalent to the credit of the company's Account No. 1020087201 at Commercial Bank, City Office. All investments from foreign investors need to come through the SIA in order to take back any dividends or redemption proceeds without any exchange control regulations.

## **2.6 Allotments**

If an application duly made at the office of Comtrust Asset Management (Pvt) Limited is accompanied by cash or bank draft or a cheque drawn on any branch of Commercial Bank of Ceylon Limited, Units will be allotted on the day of receipt of the monies if it is a Subscription Day, if not, on the following Subscription Day.

Allotments on all other applications will be made only after the monies are realized or the Application is received at the office of the company, whichever is later.

## **2.7 Reinvestments**

Investors of the Fund will have the option of investing their dividends if any in the Fund. Reinvestments of dividends can be made based on the price applicable on that date and it will not be subject to the normal front end fee.

# **GENERAL INFORMATION**

## **3.1 Valuation of Units**

The prices at which investors may subscribe for and redeem units are calculated on each Subscription Day by reference to the net asset value of the Fund as at the close of business on the subscription day (as defined in the Trust Deed). A front-end fee of 1.5% of the relevant price of each unit will be payable to the Managing Company by applicants on the issue of units and this charge will be added to the price of each unit for the purpose of determining the selling price of an unit.

### **1. Calculation of Subscription (Selling) Price**

The subscription price of a unit at any Subscription Day shall be determined by:

- a. Ascertaining the value of the net assets of the Fund at 4.00 p.m. (Sri Lanka time) on the Subscription Day.
- b. Adding such sum that the Managing Company may consider as representing the appropriate provision for duties and charges.
- c. Dividing the resulting sum by the number of units then in issue and deemed to be in issue,
- d. Adding upto 1.5% to the result given above as the front end fee and
- e. Rounding up the resultant amount to the nearest 10 cents.

### **2. Calculation of Redemption (Buying) Price**

The redemption price as at any business 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 there from such sum that the Managing Company may consider as representing the appropriate duties and charges which would have been incurred if all the securities and other assets of the Fund would have been realized on that day at prices equal to their respective value as at 4.00 p.m. (Sri Lanka time) on that date.
- c. Dividing the resulting sum by the number of units then in issue and deemed to be in issue,
- d. Rounding down the resultant amount to the nearest 10 cents.

## **3.2 Rights of Unit Holders**

The Unit Holders shall have the right to;

1. Inspect the Trust Deed at the office of the Managing Company during office hours free of charge. Copies of the Trust Deed priced at Rs. 500 can be purchased from the Managing Company.
2. To redeem subject to the condition of the Trust Deed all or some units registered in their name.
3. To receive periodic statements, annual accounts and report of the auditors.
4. To participate in the meeting of the unitholders subject to the provisions in the Trust Deed.
5. To transfer the units registered in the name of a holder to any member of his / her immediate family, on payment of the appropriate fee.



### **3.3 Reports and Accounts**

Unit Holders will be sent a report on the annual accounts and the performance of the Fund periodically. The accounts will be prepared upto 31<sup>st</sup> March of each year. An interim report for the period April to September would be published in one of the leading Sri Lankan news papers.

### **3.4 Consent**

The following parties have given their written consent to include their names in Explanatory Memorandum and have not withdrawn their consents.

1. CT Capital (Private) Limited
2. Deutsche Bank AG
3. NithyaPartners
4. Pricewaterhouse Coopers
5. Commercial Bank of Ceylon Limited.

### **3.5 Documents Available for Inspection**

Documents available for inspection free of charge at the office of the Managing Company during normal working hours are;

- Trust Deed dated 16th May 2011.
- UnitTrust Code.
- Supplementary Deeds that may be executed thereafter.

### **3.6 Redemption**

Units may in general be redeemed on any Subscription Day at the Managing Company's buying price prevailing on the day of the transaction upon receipt of a request in writing. (In the case of joint Holders, both must sign) An application for redemption can be made only at the company, by a request in writing addressed to the Trust Administrator of the Fund.

An application for redemption can be made to the Managing Company only in writing by the investor and it should be made before 4.00 p.m. local time on the Subscription Day. Any request for redemption after 4.00 p.m. local time will be processed on the following Subscription Day.

Payment of redemption proceeds will be made by cheque in rupees which will be dispatched by post to the local investors at the unitholder's risk within 14 business days after the date of receipt of an application requesting redemption.

Payment for redemption proceeds will be transferred to the Securities Investment Account of the foreign investors within 14 business days after the date of receipt of the redemption request.

Where a unitholder wishes to redeem units which amount to three percent (3%) or more of the net asset value of the Trust Fund he shall give at least one months notice in writing to the Managing Company. Partial redemptions may be permitted

There will be no charge or a redemption fee at the point of to the redemption subject to clause 3.8 (2).

### **3.7 Suspension and Deferral of Dealings**

1. 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.
2. The Managing Company shall immediately notify the Commission, and provide reasons there for, if it believes that there is a serious danger that redemption of units is about to cease or be suspended. Once a decision is reached to suspend redemption of units and the Commission and the trustee have so consented, the fact that dealing is suspended shall be published at least once a month during the period of suspension, in the newspaper in which the unit trust's prices are normally published.
3. where redemption request on any dealing day exceed ten per centum of the total number of units in issue, redemption requests in excess of ten per centum may be deferred to the next dealing day.
4. where a unit holder wishes to redeem units which amounts to three per centum or more of the net asset value of the Fund , the unit holder shall give at least one month's written notice to the managing company which shall forthwith notify such fact to the trustee.

### **3.8 Charges and Fees**

#### **1. On application**

The Managing Company is entitled to receive a front-end fee of 1.5% as an upfront one off fee on initial investment which will be included in the price of the units quoted for the day. Out of this fee the Manager may pay any commission to authorised agents.

#### **2. Exit Fee**

The Managing Company reserves the right to charge a fee of 1% for any redemption made within one year from the date of initial investment.

#### **3. Managing Company**

The Managing Company is entitled to a management fee subject to a maximum of 2% per year of the net asset value of the Fund calculated daily and paid quarterly in arrears. The Managing Company will also be entitled to 20% of the profits generated in excess of 12% p.a. The unit prices of the fund would be computed and published daily.

#### **4. Trustee**

The fees payable to the Trustee and Custodian amounting to 0.30% per year of the net asset value of the Fund calculated daily and payable quarterly will be paid out of the management fee of 2% as stated in 3.8 (3) above.

#### **5. Others**

The Managing Company is responsible for the charges and fees of any Advisers, Investment Consultants, Agents and Investment Counsellors retained by them. The following administrative and professional expenses are payable by the Fund. .

- a. Auditor's fees and expenses.
- b. Brokerage.
- c. Legal costs incurred on unitholder's behalf and in administering the trust.
- d. Costs incurred in drafting and bringing into effect amendments and supplements to the Trust Deed.

- e. Costs incurred to enable the Trust to comply with legislation or other official requirements.
- f. All taxes and other duties payable in the establishment, execution, management or termination of the Trust.
- g. All other charges and fees expressly authorized by the Trust Deed.
- h. All costs incurred by the Managing Company in communicating with the unit holders in general and include cost of producing and dispatching newsletters, periodicals, reports etc. Neither the managing company nor any connected person will become entitled to receive any part of the brokerage charge to the Trust or any allowance of any type other than rebates on brokerage and other commissions received by the Managing Company with the approval of the Trustee and the SEC.

### ***3.9 Collateral***

The holders of units of the Crescent *i* Fund may enjoy the benefit of pledging their Units with financial institutions as collateral for facilities allowed by them.

### ***3.10 Regulations***

The operations of the Crescent *i* Fund will be subject to the Provisions of the SEC Act, Trust Deed, The Unit Trust Code, Unit Trust Regulations and the general directives issued by the SEC from time to time.

### ***3.11 Approval of the Securities and Exchange Commission of Sri Lanka***

The SEC has approved this offer memorandum as suitable for distribution among prospective investors of the Crescent *i* Fund.

### ***3.12 Date of this Offer Memorandum***

This offer memorandum is dated 19<sup>th</sup> May , 2011

## **COMTRUST ASSET MANAGEMENT (PRIVATE) LIMITED**

### ***Introduction***

The company was incorporated on the 20<sup>th</sup> of January 1992 as Commercial Fund Management (Private) Limited, with the initial promoters being Commercial Bank of Ceylon Limited, Singer (Sri Lanka) Limited and Australind, an Australian based investment company. The principal business activity of the company is the managing of Unit Trusts and other client portfolio investments.

Consequent to C T Capital Limited, member of the Ceylon Theatres Group acquiring the controlling interest of Commercial Fund Management (Private) Limited at the beginning of 2007, the name of the Company was changed from Commercial Fund Management (Private) Limited to C T Fund Management (Private) Limited. Subsequently in December 2010 the name of Company was changed from C T Fund Management (Private) Limited to Comtrust Asset Management (Private) Limited. The Ceylon Theatres Group is one of the largest diversified conglomerates in the country with interest in retail, tile manufacturing, food and beverage, property development, plantation and financial services.

Some of the major companies in the group are, Millers Limited, Cargills (Ceylon) Limited, CT Land Limited, CT Smith Stockbrokers (Private) Limited, CT Properties (Private) Limited, Lanka Ceramic Limited, Lanka Wall Tiles Limited, Lanka Tiles Limited, Horana Plantations Limited and Parquet (Ceylon) Limited.

Comtrust Asset Management (Private) Limited has an authorized capital of Rs.100 Million divided into 1,000,000 shares of Rs.100/- each. The paid up capital of the company as at 31st December 2010 was Rs.25 million.

### ***Corporate information***

Name	Address	Description
Anthony Ashokumar Page	11/2 Barnes Place Colombo -07 Sri Lanka	Chairman
Cecilia Kirubaimalar Muttukumar	32/1B, Barnes Place, Colombo - 07 Sri Lanka	Deputy Chairperson
Anthony Sheyantha Abeykoon	59, Medawelikada Road, Rajagiriya, Sri Lanka	Director
Joseph Chandrakumar Page	10, Station Road, Colombo 04 Sri Lanka	Director
Sanjay Chandrahasan Niles	CT Gardens, 120/66, Gangarama Road, Thumbovila, Piliyandala Sri Lanka	Director
Auditors	Ernst & Young 201, De Saram Place Colombo 10	
Lawyers	Nithya Partners 51, Gregorys Road Colombo 7.	
Bankers	Commercial Bank of Ceylon Ltd. 21, Bristol Street Colombo 1	

### ***Profile of the Board of Directors***

#### **Anthony Ashokumar Page - Chairman**

Mr. Anthony Page counts over 38 years of management experience in a diverse array of businesses. He serves on the Boards of many Groups as well as other Companies. He is a Fellow Member of the Institute of Chartered Accountants of Sri Lanka. He was on the Board of the Colombo Stock Exchange and was a former Council Member of the Employers Federation of Ceylon.

**Cecilia Kirubaimalar Muttukumaru**

Mrs. Cecilia Muttukumaru is a Fellow Member of the Institute of Chartered Accountants of Sri Lanka and a Fellow Member of the Chartered Institute of Management Accountants (UK) She is the Managing Director of C T Smith Stockbrokers (Pvt) Ltd and is also the Deputy Chairperson of C T Capital (Pvt) Ltd. Prior to joining C T Smith Stockbrokers (Pvt) Ltd., Mrs. Cecilia Muttukumaru was Head of Finance at Ceylon Theatres PLC.

**Anthony Sheyantha Abeykoon**

Mr Abeykoon holds an MBA from the Wharton School of Business in the USA and is a Chartered Financial Analyst (CFA). He is also a member of the Chartered Institute of Management Accountants (CIMA) UK, and holds a BSc. in Information Systems and Management from the University of London. He counts over 10 years of experience in equity markets, fund management and corporate finance having worked in both Sri Lanka and overseas. He was a Fund Manager at Eagle NDB Fund Management, the largest private sector fund manager in Sri Lanka. He joined the CT Group in 2006 to establish operations at CT Capital and was instrumental in the expansion of the group's financial services businesses. He currently heads the financial services sector of the CT Group and is also is the Head of Corporate Finance for the CT Group.

**Joseph Chandrakumar Page**

Mr. Joseph Page is the Deputy Chairman / Managing director of C T Land Development PLC and is also the Executive Director of C T Properties Limited. He is also a Director of many Companies within the Ceylon Theatres Group. He has over 25years of management expertise in the private sector.

**Sanjay Chandrahasan Niles**

Mr. Sanjay Niles is an Associate Member of the Institute of Chartered Accountants of Sri Lanka and the Chartered Institute of Management Accountants UK. He is a Director of C T Land Development PLC and Director/ CEO of C T Properties Limited. He is also Director Group Corporate Affairs of Ceylon Theatres PLC.

***Members of the Investment Committee*****Mr. Anthony Sheyantha Abeykoon**

(please refer his profile under Director's Profiles)

**Mr. P S R Casie Chitty**

Mr. Casie Chitty who holds a Master in Economic from the University of Colombo is also a Fellow of the Association of Chartered Certified Accountants (ACCA) UK, an Associate Member of CharteredInstitute of Management Accountants UK and a Chartered Financial Analyst, USA.

**Mr. Malinga Arsakularatne**

Mr. Arsakularatne is a CFA charterholder and a Fellow Member of the Chartered Institute of Management Accountants UK. He also holds an M.Sc. in Investment Management from the Cass Business School UK, a B.Sc. in Computer Science and Engineering from the University of Moratuwa, Sri Lanka and a Postgraduate Diploma in Marketing from the Chartered Institute of Marketing Uk.

**Mr. Ishrat Rauff**

Ishrat Rauff holds an Honours degree in Civil Engineering from Imperial College of Science & Technology, London and also obtained his Associateship of the Chartered Institute of Banker (ACIB)

UK. He also holds Masters Degree in Business Administration (MBA) from the Melbourne Business School, University of Melbourne, Australia.

Ishrat counts over twenty years in the financial industry in areas as diverse as Stock Broking, Corporate Credit, Foreign Exchange Trading, Treasury Management, Fund Management and Investment Banking. He has specialised in the field of Islamic Finance, having spent over a decade in the industry. He served as a Director at Vidullanka PLC and a Director of Lanka Commodity Brokers Ltd. He also served at Amana Capital, and MD/CEO at Amana Securities Ltd., a Trading member of the Colombo Stock Exchange. He also serves on the Governing Council of Ilma International Girl's School.

#### **Mr. Mohamed Ibrahim Mafaz Ishaq**

Mafaz Ishaq holds a Bachelors Degree in Mechanical Engineering from the King Fahd University of Petroleum and Minerals (KFUPM), Saudi Arabia and a Masters in Aerospace Engineering from the University of Texas at Austin, USA. He also holds a Masters degree in analysis Design & Management of Information Systems from London School of Economics (LSE). He held many positions in various multinational companies including Head of IT Audit and Business Development at Holcim Group.

He currently serves as a Director at Calamander Capital, Singapore and oversees its operations in Sri Lanka. Calamander is licensed by the Monetary Authority of Singapore and is a company that provides investment management services, specializing in real assets in the world's fastest growing markets.

## **Sri Lanka – A pathway to Prosperity**

### ***Economy***

A new era dawned in Sri Lanka with the end of the decades old ethnic conflict in May 2009. Since then a marked improvement has been witnessed in economic activity with major sectors of the economy recording an upturn and an overall growth rate of 7.8% being registered during the first three quarters of 2010. The interest rates and the inflation have recorded sharp declines during the last two years. The yield on the One year Treasury Bills which was at 19.12% as at the end of 2008 declined to 7.55% as at end of 2010. The inflation as measured by the Colombo Consumer price Index declined from 22.6% as at end of December 2008 to 5.9% as at end of 2010. External reserves of the country improved from USD 3.6 billion in 2008 to USD 6.6 billion as at end of 2010. Consequent to the improvement in the external reserves the local currency appreciated by 2.86% during 2010.

	2005	2006	2007	2008	2009	2010
<b>GDP Growth</b>	6.2%	7.7%	6.8%	6.0%	3.5%	8.0%
<b>Yield on 1 yr T.Bill</b>	10.37%	12.96%	19.96%	19.12%	9.33%	7.55%
<b>Inflation</b>	11.0%	10.0%	15.8%	22.6%	3.4%	5.9%
<b>External Reserves(USD billions)</b>	4.20	4.00	4.96	3.64	7.03	6.60
<b>Exchange Rate (USD/LKR)</b>	102.12	107.71	108.72	113.14	114.38	111.11

The outlook of the country's economy remains robust with all sectors of the economy expected to make significant contributions and the Central Bank of Sri Lanka is envisaging a GDP growth rate of 8% to 9% over the next few years. Greater capacity utilization and capacity expansion in the core sectors together with increased productivity are expected to support the above growth targets. Conducive investment climate is expected to draw domestic as well as foreign direct investments in several new projects which include Power, Road Development, Port Development, Water Supply and Rehabilitation projects in the North & Eastern part of the country. The exchange rate is expected to remain stable supported by improved earnings from exports and services together with increase in foreign remittances and foreign direct investments.

## Stock Market

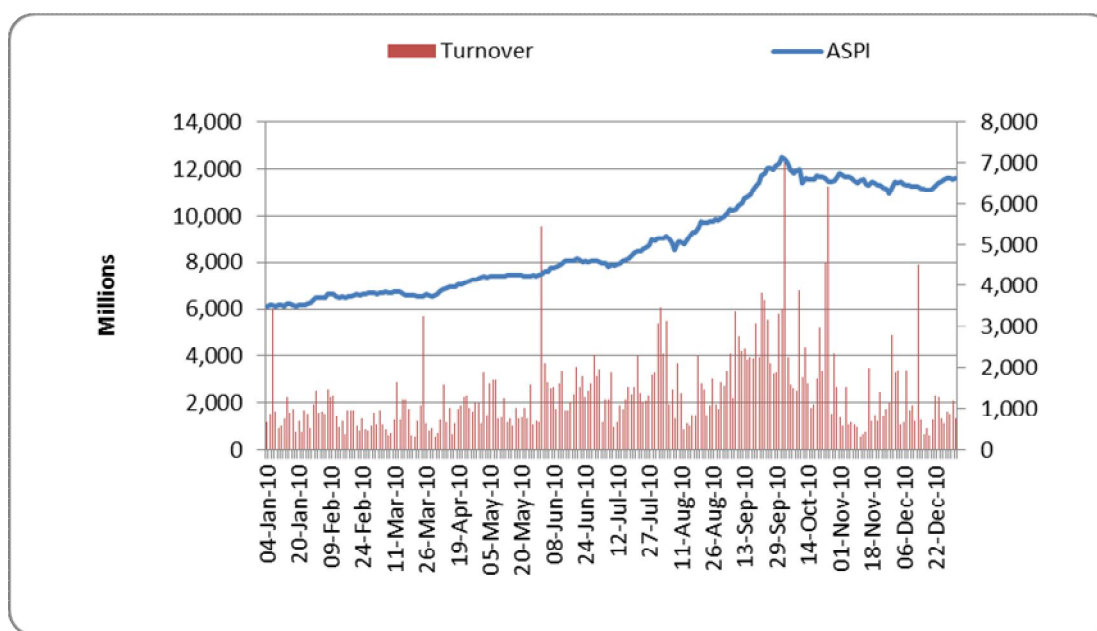
The under penetrated Sri Lankan equity market emerged as one of the best performing market in the world in 2010.. The benchmark All Share Price Index (ASPI) recorded significant growth during the last two years. The ASPI recorded a growth of 125% in 2009 and 96% in 2010. The average daily turnover improved significantly from LKR 594.4 million 2009 to LKR 2,392.4 million in 2010.

	2005	2006	2007	2008	2009	2010
<b>All Share Price Index</b>	1922.2	2722.4	2541.0	1503.0	3385.5	6635.9
<b>Market Capitalisation (LKR billion)</b>	584.0	834.8	820.7	488.8	1092.1	2210.5
<b>Number of Companies listed</b>	239	237	235	235	232	241
<b>Avg. Daily Turnover (LKRmillion)</b>	481.51	436.32	435.62	464.09	594.45	2,392.41
<b>Mkt. Cap / GDP (%)</b>	23.8	28.4	22.9	11.1	22.9	39.4

The market activity witnessed a sharp upturn in 2010 with domestic and foreign investor participation contributing to improved turnover levels. Interest was particularly high amongst the domestic institutional and high net-worth investor segments. Amidst an improved economic outlook, a number of listed entities have announced capacity expansion plan in existing businesses as well as ventures into new business areas. The initial focus has been on sectors such as tourism, infrastructure and real estate development. A record number of listings are also expected in 2011. In addition to the mandatory listing requirement of all deposit taking local institutions in 2011, the Government's plan to divest a stake in some of the state institutions via listing is expected to significantly improve the market capitalization of the bourse. Corporate earnings are expected to record very strong earnings growth in the coming years supported by increased consumer spending power, capacity expansion, low cost funding and reduction in corporate tax.

Sri Lanka is on a course of uncovering its hidden potentials and resources that would help the nation becoming a services sector hub in the region.

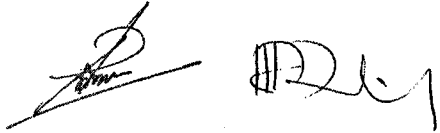
The movement in the All Share Price Index and Market Turnover is given below:-



NB: Past performance is not a guarantee of future returns

## DECLARATION BY THE TRUSTEE

"The Board of Directors of the Trustee hereby declare that it will carry out the transactions with the Management Company at arm's length basis and on terms which are best available for the Fund, as well as act, at all times, in the best interests of the Fund's unit holders and also that the requirements of the Guidelines for Trustees and Managing Companies of Unit Trust Funds issued by the Securities & Exchange Commission of Sri Lanka have been complied with. The Trustee further certifies that it has read and agrees with the representation contained herein".

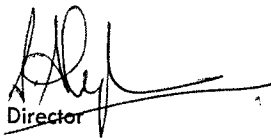
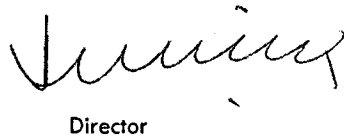


Deutsche Bank AG, Colombo Branch.

## DECLARATION BY THE MANAGING COMPANY

" The Board of Directors of the Managing Company hereby declare that it will carry out the transactions with the Trustee at arm's length basis and on terms which are best available for the Fund, as well as act, at all times, in the best interests of the Fund's unit holders and also that the requirements of the Guidelines for Trustees and Managing Companies of Unit Trust Funds issued by the Securities & Commission of Sri Lanka have been complied with."

" This Explanatory Memorandum has been seen and approved by the Directors of Comtrust Asset Management (Private) Limited 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 statements herein misleading."

  
Director  
Director

Comtrust Asset Management (Private) Limited