ASSETLINE GILT EDGED FUND

Explanatory Memorandum

v2.0 (Last updated on 18th May 2015)

Fund Description

The Assetline Gilt Edged Fund is an open ended fund ("Fund") investing in government securities, and managed by Assetline Capital (Private) Limited ("the Manager" or "ACPL"). This Fund would operate under the license issued by the Securities and Exchange Commission of Sri Lanka ("SEC").

Investment Objective

The primary investment objective of the Fund is to provide a secure investment vehicle, with a steady growth, that caters to the different investment horizons of the unit holders.

Investment Strategy

The Fund will be focused on investing in Treasury Bills and Bonds minimizing the risk to the unit holder. 3% of the Fund would be in investments with tenures equal to or less than 3 months. This Fund is ideal for low risk, highly secure investments. Maximum tenure is not limited to any period but at the discretion of the Manager. The investments undertaken by the Fund will adhere to the SEC's Unit Trust Code 2011, the Trust Deed and the changes made to same from time to time would be on the approval of the SEC.

Investment Details

Investment Type	Investment Risk	Investment Allocation
Treasury Bills, Treasury Bonds, Treasury Bill/Bond Repurchase Agreements	Low	Maximum 97%
Treasury Bill/Bond Repurchase Agreements and Treasury Bill investments with a tenure equal to or less than 3 months	Low	Minimum 3%

Fee Structure Charged to the Total Fund

Fee Category	Rate
Front-end Fee	NIL
Trustee Fee	0.18% p.a.
Management Fee	0.5% p.a.
Custodian Fee for the Total Fund	Rs. 25,000/- per month
Exit Fee	NIL

Risk Factors

Minimum risk due to investment in government securities and by prudent management of matching maturities with customer investment horizons would reduce risk of requirement to dispose investments prematurely. However, it will be subjected to interest rate risk, due to the time horizon of the investments.

Investment Requirements

The minimum initial investment at the inception would be Rs. 1,000/- (Inclusive of front-end fee, if any) which would be followed by Rs. 1,000/- multiples.

Board of Directors

The Board of Directors to ACPL is comprised of:

Mr. Deepta Ekanayake – Managing Director

Mr. Kushantha De Silva – Director

Mr. Rohana Dissanayake – Director

Income Distribution

Dividend distribution will be at the discretion of the Manager.

Trustee

Deutsche Bank AG

Auditors

PricewaterhouseCoopers

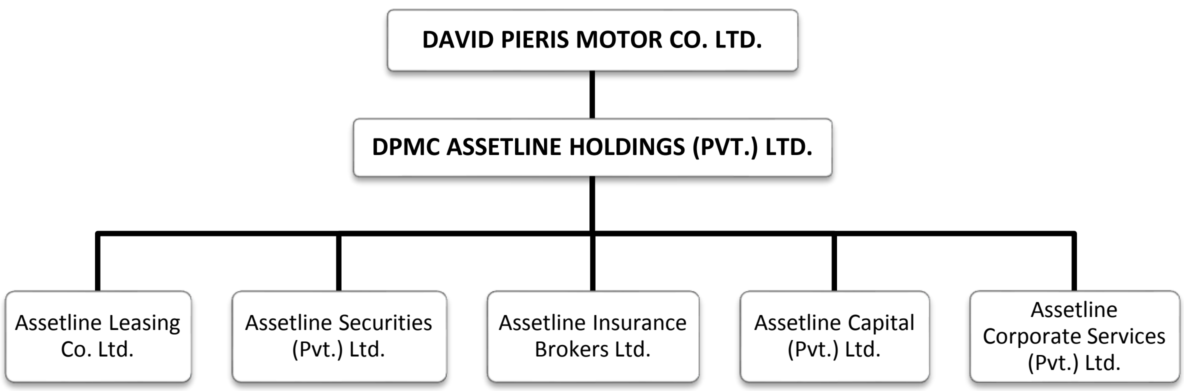
Bankers

1. Deutsche Bank AG
2. Sampath Bank PLC

Corporate Information

Assetline Capital (Private) Limited (ACPL) is a licensed Investment Manager approved by the Securities and Exchange Commission of Sri Lanka (SEC), specializing in providing portfolio management services to high net-worth individuals and corporate entities. ACPL is also an SEC-licensed Unit Trust Managing Company.

ACPL is a fully owned subsidiary of DPMC Assetline Holdings (Private) Limited. The ultimate parent company of ACPL is David Pieris Motor Company Limited.



Application Process

a) Completing Application Forms and Account Opening

An account for each unit holder (under the Assetline Gilt Edged Fund) will be opened, once the completed Account Opening Application Form is submitted. The mandatory fields in these Account Opening Application Forms are required to be completed.

Copies of the relevant Account Opening Form (to be completed) along with this Memorandum can be obtained from ACPL (located at No. 120, 120A, Pannipitiya Road, Battaramulla) or agents appointed by ACPL.

b) Payment Method

Account Payee Cheque drawn in favour of '**Assetline Gilt Edged Fund**' or Transfer of funds direct to the bank account of '**Assetline Gilt Edged Fund**'.

Offer

This Fund which is managed by ACPL will provide investors the option to continuously subscribe for units.
ACPL shall manage the Fund in line with the Fund's Explanatory Memorandum and Trust Deed.

Eligibility for Application

The applicant should be;

a) A Sri Lankan citizen above 18 years of age as of the application day.

b) A company/institution incorporated in Sri Lanka.

c) Incorporated legal bodies/ Trusts /Clubs and Associations in Sri Lanka.

d) Sri Lankan non-residents who are governed by schemes approved by the relevant authority.

e) A foreign citizen residing in or outside Sri Lanka subject to any approvals which may be required from the Controller of Exchange and the Securities and Exchange Commission of Sri Lanka.

f) A limited liability company or established/incorporated corporate body outside Sri Lanka subject to any approvals which may be required from the Controller of Exchange and the Securities and Exchange Commission of Sri Lanka.

g) Minors as the first holder when applied jointly with parent, legally appointed guardian or curator.

Initial Offer Period

The initial public offer period was from 11th July 2014 to 18th July 2014.

Number of Unit Holders

ACPL shall, at all times, maintain a minimum number of unit holders for the Fund, in accordance with the directives issued by the SEC.

Allotment of Units

Unit allotment will be conducted according to the timely receipt of cash, realized funds along with a submission of the duly completed application. Units will be allotted on the day of the receipt of cash or realized funds if it is a Subscription Day, or else on the following Subscription Day, if above requirements are satisfied. If the receipt of cash or realized funds and the completed application are provided on different Subscription Days, then the unit allotment shall occur only once both these requirements are met.

Valuation of Units

After the "initial public offer period" the subscription price and the redemption price of units is calculated, by dividing the Fund's net asset value which will be ascertained as at 5.00 p.m. on each subscription day, by the number of units in issue and considered to be in issue.

Furthermore, the afore-mentioned net asset value calculation will incorporate additions/deductions for Front End Fees and Exit Fees and such sums that ACPL may deem as an appropriate representation for duties and charges which include but not limited to fees and expenses such as auditor fees, custodian fees, professional fees, legal fees, taxes and duties, registration charges, charges and expenses which are permitted by the Trust Deed or by Law.

Government securities shall be valued on a Mark to Market basis using the daily yield curve released by the Central Bank of Sri Lanka (CBSL) until maturity.

Repo Investments shall be valued at cost plus accrued interest basis.

Unit prices will be disclosed publicly through appropriate channels on each subscription day.

Switching

Each unit holder can instruct ACPL to switch the said unit holder's investments from among any Unit Trust fund under the management of ACPL. The switching shall be accounted as a redemption (from the outward remitting fund) and as a subscription (to the inward remitting fund) of units. Further, prior written notice is required to facilitate a smooth transfer. No Front End Fee will be charged for such transfers.

Redemption of Units

Units can be redeemed with a written request, addressed and sent to the Managers and will be based on the Manager's buying price published on each business day.

Where a unit holder wishes to redeem units which amount to Three per centum (3%) or more of the net asset value of the Fund, such holder shall give the Manager at least 14 days written notice in advance of the intention to redeem.

Payment of redemption proceeds will be made only to the holder of the units or in the case of a joint holding, the first named holder, by a bank cheque crossed in favour of the unit holder and dispatched by ordinary post within 7 business days after the day on which the relevant units are redeemed.

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

Reports and Accounts

In accordance with applicable regulations, Annual Reports of the Fund would be made available to investors.

Rights of Unit Holders

As mentioned in the Trust Deed.

Suspension of Dealings

The Managers may suspend dealing with the approval of the Trustee and with the written consent of the SEC if any situation warrants.

Taxation

Fund will be subjected to taxation as per the current applicable laws. Prospective Investors are advised to consult their tax consultants vis-à-vis the implications of making an investment or holding and disposing of units and the income received.

Borrowing Powers of the Trustee

The Trustee may at any time on the request of the Managers borrow on account of the trust for the purpose of financing any redemption requests of the Fund. The principal amount of all such borrowing outstanding at any given time shall not exceed fifteen *per centum* (15%) of the value of the Deposited Property.

Disclaimer

Price of units and income derived from the units may increase or decrease from time to time and investors are advised to seek professional advice prior to investment.

General Information

Any inquiries can be directed to:
Assetline Capital (Private) Limited
120, 120A, Pannipitiya Road
Battaramulla

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 Trust Funds.

DEUTSCHE BANK AG the Trustee and ASSETLINE CAPITAL (PRIVATE) LIMITED the Managers of Assetline Gilt Edged 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 interest of the Fund's unit holders;

b) the requirements of the Guidelines for Trustees and Managing Companies of Unit Trust Funds set out by the Securities and Exchange Commission of Sri Lanka, will be complied with.

Signed
Director
Assetline Capital (Private) Limited

Signed
Trustees
Deutsche Bank AG

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
Director
Assetline Capital (Private) Limited

Signed
Director
Assetline Capital (Private) Limited