



FINANCIAL
BUILDING & PRESERVING YOUR WEALTH

EXPLANATORY MEMORANDUM ■

Important - if you are in any doubt about the contents of this offering document, you should seek independent professional financial advice.

JB VANTAGE MONEY MARKET FUND

MARCH 01
2013

The JB Vantage Money Market Fund is intended for the short term investment of excess cash. The amount of income that a unit holder may receive will be largely dependent on the current interest-rate environment. Investors who have a short-term savings goal and seek a competitive yield may wish to consider this option.

■ FUND PROFILE - SAFETY

G.I.P.S.[®]
Global Investment Performance Standards

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Key Fact Sheet

Name	JB Vantage Money Market Fund ("the Fund")
Nature of Fund	Open Ended Unit Trust, offering units for sale redemption every business day
Issuer/Fund Manager	JB Financial (Pvt) Ltd. ¹
Trustee/Custodian	Deutsche Bank AG, Colombo Branch
Investment Plan	Invests only in very high quality, short term, interest bearing instruments
Minimum Initial Investment	Rs. 1,000,000
Subsequent Investment	Rs. 100,000
Inception Date	August 2011
Management fee and Trustee fee	0.70% p.a. ²
Front-End/Exit fee	None
Taxation of return	Tax free in the hands of unit holders
Investor Eligibility	Individuals, corporate bodies, non-residents and foreign institutional investors
Price	Latest available Manager's Selling Price

¹JB Financial is licensed by the Securities and Exchange Commission of Sri Lanka to operate this money market fund.

²Taxes may be applicable on fees. Presently Trustee fees are subject to VAT at 12%.

WHAT DOES THE FUND INVEST IN?

INVESTMENT OBJECTIVES

The fundamental investment objective of the JB Vantage Money Market Fund is to earn a high rate of interest income while at the same time preserving capital and maintaining liquidity by investing primarily in high-quality money market securities maturing in less than one year.

INVESTMENT STRATEGIES

The Fund's Manager (or portfolio advisor) seeks to achieve the fundamental investment objective of the Fund by having a significant proportion of the Fund invested in high-quality government debt instruments while taking into consideration the local macroeconomic and interest rate environment.

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The Fund may invest in treasury bills or other debt obligations of (or guaranteed by) the Government of Sri Lanka, Central Bank regulated commercial banks and finance companies, as well as commercial paper and asset-backed trust certificates that allow the Fund to enhance its yield while maintaining credit quality. Part of its strategy is to anticipate interest rate changes with a three to six-month view on short-term rates. The portfolio advisor also performs extensive and continuous credit analysis on all corporate debt to provide yield enhancement. Generally, the Fund employs a “buy-and hold” strategy.

The Fund may engage in repurchase or reverse repurchase transactions in a manner consistent with its investment objectives and as permitted by Securities and Exchange Commission of Sri Lanka.

What are the risks of investing in the Fund?



Money market funds are generally expected to be of low risk and/or a “safe” category of investment. This is due to the high credit worthiness, liquidity and shorter maturity of the underlying investments, therefore a money market fund has a lower susceptibility to risk. However, the return earned on units of the Fund will change in line with changes in current interest rates attributable to the underlying investments. Investors in money market funds face the following three types of risks:

1. Income risk

This is the chance that the fund’s income will decline because short-term interest rates decline. As the fund’s income is based on short-term interest rates income

risk is expected to be high. Compared to rates “locked in” over a longer time horizon, money market funds will generate less income when rates fall due to their shorter time horizon. Conversely, when interest rates rise, money market fund yields tend to rise faster than longer-term maturity products.

2. Inflation risk

This happens when inflation increases faster than short-term interest rates. However, this risk is limited because the average duration of money market funds is 90 days and short-term interest rates usually keep up with inflation.

3. Credit risk

This is the chance that the issuer of a security will fail to pay interest and principal in a timely manner or default on interest and/or principal. This risk is limited both by the Fund’s concentration in high quality securities and its short term horizon which allows the portfolio advisor to adjust their portfolios relatively quickly in response to changes in credit events. Should an issuer’s credit quality deteriorate the Fund will not reinvest in its commercial paper as it matures.

Other risks of investing in the unit trusts may include:

- ✓ Large investor risk
- ✓ Repurchase and reverse repurchase agreements risk
- ✓ Liquidity risk

The above risks along with the specific regulatory measures in place for their mitigation are expounded on pages 5 and 6.

WHO SHOULD INVEST IN THE FUND?

The Fund may be suitable for short-term investors who want:

- ✓ Regular income
- ✓ Have a low tolerance for risk
- ✓ A cash shelter between investing in the stock market

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How to invest in the Fund

Please read this Explanatory Memorandum carefully and wholly, then complete, sign and deliver the JB Financial Unit Trusts new account application together with a Purchase Form. Forms and explanatory memoranda are available

- ✓ From our office: 150, St. Joseph Street, Colombo 14, Post Code: 01400, Sri Lanka.
- ✓ By post, please call 112 490 900 to request a copy.
- ✓ From a JB Financial distribution agent – Call 112 490 900 to set up an appointment (Colombo area only).
- ✓ From our website www.jbfinancial.lk

HOW TO FIND THE DAILY FUND PRICES

Fund prices will be published daily in the Daily Mirror and Daily News (generally Tuesday to Saturday barring holidays) and on the JB Financial website www.jbfinancial.lk

WHAT FUND EXPENSES ARE INDIRECTLY BORNE BY INVESTORS

While unit trusts are a cost effective way to invest in securities, it does not mean they are cost free. Unit trusts pay for some expenses out of fund assets and investors indirectly pay for these expenses through lower returns. Service and administrative costs of running the fund such as recordkeeping, brokerage, audit, legal, investor communication, financial reporting and statutory fees and expenses are paid by the fund and therefore indirectly borne by investors.

The Manager may pay sales commission to **authorised** agents (if applicable) but such payments will **not** be borne by unit holders or the Fund.

WHAT IS A UNIT TRUST AND WHAT ARE THE RISKS OF INVESTING IN A UNIT TRUST?

What is a unit trust?

A unit trust is a vehicle that pools money from many individual investors to buy securities. The securities in which the JB Vantage Money Market Fund may invest are restricted to government securities

(treasury bills and treasury bonds), bank deposits, repurchase agreements and high quality corporate debt instruments with maturities of less than one year.

Unit trusts have different investment objectives, some have the objective of achieving long-term capital growth by investing in equities, and others have the objective of generating regular income payments by investing in coupon-paying securities. *This fund invests for safety by buying short-term high quality “Investment Grade” interest income bearing investments.*

A professional money manager or portfolio advisor makes buy-and-sell decisions of securities in adherence to the investment objective. The values of these securities may vary responding to changes in interest rates, economic conditions and related capital market events. *The portfolio advisor closely monitors and studies the interest rate environment and takes a view on short term interest rates when investing the Fund.*

Unit trusts issue units and record the investor's share of the units it has issued. The greater the investments the larger the units owned and greater the share of the unit trust's income, gains and losses. In order to withdraw an investment from a unit trust, the units owned can be redeemed by selling them back to the unit trust management company.

Unit trust investments are not guaranteed. **The prices of units can move down as well as up from time to time due to market events.**

What are the risks of investing in a unit trust?

Risk is often measured through volatility or the extent to which the value of a unit trust's units fluctuates. As a general rule, investments with the greatest risk also have the greatest potential return. While this risk/return trade-off has generally been true over periods of five years or longer, there have been times in the past when the least volatile investments have been the most rewarding, particularly over periods of a year or less.

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Each investor has a different tolerance for risk. Some investors are significantly more conservative than others when making their investment decisions. It is important to take into account one's own comfort with risk as well as the amount of risk suitable for one's financial circumstances and goals. The risks associated with investing in a unit trust include the risks associated with the securities in which the unit trust invests.

In the case of the JB Vantage Money Market fund the volatility in the value of the units is low as it invests only in low risk short term, high quality interest bearing securities. Generally, the Fund's price will move only upwards incrementally, representing the accrual of interest income not yet paid out to unit holders until the quarterly distribution date when it is paid out. This pattern would be repeated in each quarterly distribution cycle. Other than that the fund's price would move downward only in the event of credit default of one of the Fund's investments.

DESCRIPTION OF FUND SPECIFIC RISKS AND THEIR MITIGATION

The following is a summary of the various types of investment risk that may be applicable to the Fund.

Credit/default risk

Credit risk is the risk that the issuer - the government, a company or special purpose vehicle (such as a trust) of a fixed income or money market security will fail to pay interest and principal in a timely manner or default on interest and/or principal. Securities issued by well-established companies or by the GOSL tend to have lower credit risk. Securities that have a low credit rating have high credit risk. Generally, companies rated BBB- or higher by credit rating agencies are considered to be "Investment Grade". The market value of a debt security can be affected by a downgrade in the issuer's credit rating, a change in the creditworthiness, or perceived creditworthiness of the issuer or, in the case of asset-backed commercial paper, any assets backing the security.

Large investor risk

Securities of unit trusts may be purchased and sold by "large" investors, such as institutional funds and investment portfolios. If a large investor redeems a portion or all of its investment from a unit trust, that fund may have to incur capital gains and other transaction costs in the process of making the payout. In addition, some securities may have to be sold at unfavorable prices, thus reducing the fund's potential return. Conversely, if a large investor was to increase his/her investment in a fund, that fund may have to hold a relatively large position in cash for a period of time while the portfolio advisor attempts to find suitable investments. This could also negatively impact the performance of the fund.

Liquidity risk

Liquidity risk is the possibility that a unit trust will not be able to convert its investments to cash when it needs to or will not be able to do so at a reasonable price. Some securities are illiquid because of legal restrictions, the nature of the investment itself, settlement terms, a shortage of buyers or other reasons. Generally, investments with lower liquidity tend to have more dramatic price changes and may subject the holder to losses or additional costs.

Repurchase and Reverse Repurchase agreements risk

Sometimes unit trusts enter into what are called treasury bill repurchase transactions and reverse repurchase transactions. A repurchase transaction is where a fund sells a treasury bill that it owns to a third party for cash and agrees to buy the same security back from the same party at a specified price on an agreed future date. In a reverse repurchase transaction, a fund buys such a security at one price from a third party and agrees to sell the same security back to the same party at a specified price on an agreed future date.

The risk with these types of transactions is that the other party may default under the agreement or go

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bankrupt. However, with the electronic lodgment of GOSL treasury bills and bonds on LankaSecure in 2004 all such counter party risk of repurchase and reverse repurchase transactions is effectively eliminated.

INVESTMENT RISK MITIGATION MEASURES IMPOSED BY THE UNIT TRUST CODE 2011

The SEC Unit Trust Code 2011 specifically addresses the above unit trust specific risks by regulation and limitation on investments.

Credit/default risk mitigation

- (a) The investment in listed debt of a single listed or unlisted entity shall not exceed 25% of the NAV of the Fund.
- (b) The investment in unlisted debt of a single listed or unlisted company with a rating endorsement or guarantee shall not exceed 15% of the NAV of the Fund.
- (c) The investment in unlisted debt of a single listed company without a rating or endorsement or a guarantee shall not exceed 10% of the NAV of the Fund.
- (d) The single entity total exposure shall not exceed 25% of the NAV of the Fund.
- (e) Exposure to any licensed commercial bank or specialized bank together with the exposures on guarantees and endorsements shall not exceed 25% of the NAV of the Fund.

Large Investor risk

Where a large investor wishes to redeem units which amount to 3% or more of the NAV of the unit trust, the unit holder shall give 14 days written notice prior to the date of redemption to the unit trust management company.

Liquidity risk

The Fund shall maintain a level of liquidity amounting to at least 3% of the deposited property in cash or near cash to assure ease of redemptions. The expression "near cash" means liquid investments that are readily convertible into known amounts of cash without any risk of change in value as defined in the Unit Trust Code 2011.

Note that money market securities under 3 months which make up the bulk of the Fund are synonymous with this definition and therefore the Fund itself is very liquid.

The Fund is also permitted to borrow up to 15% of the deposited property for short term liquidity purposes such as the timely repayment of redemption requests.

In addition, to ease liquidity tightness due to redemptions the Unit Trust Code specifies that if on a Valuation Day, total redemption requests from the fund exceed 10% of the NAV of the fund, the Fund may defer redemption of the excess over 10% to the following Valuation day.

PURCHASES AND REDEMPTIONS HOW ARE A FUND'S UNITS PRICED

All transactions are based on the price of a Fund's units – the net asset value per unit ("NAV"). The valuation day for each Fund is the day on which a NAV is calculated ("Valuation Date"). The NAV for each Fund is generally calculated daily at 4:00 PM. The NAV can change on each Valuation Date. A separate NAV is calculated for each JB Financial Unit Trust by taking the Fund's assets less liabilities and deducting from this amount all duties and charges relating to trading. The assets of the Fund are money market assets, valued at the cost of investments plus accrued interest. The NAV per unit is then derived by dividing the NAV of the Fund by the total number of units outstanding for the Fund.

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ORGANIZATION AND MANAGEMENT OF JB FINANCIAL UNIT TRUSTS

The following table sets out the parties that are involved in managing or providing services to the Funds and the functions they perform.

Manager JB Financial (Pvt) Ltd. 150 St. Joseph Street Colombo 14	As manager, JB Financial manages the overall day-to-day affairs of the Fund.
Trustee Deutsche Bank AG 86, Galle Road Colombo 3	<p>Deutsche Bank AG is the trustee (the “Trustee”) of the JB Financial Unit Trusts and holds actual title to the property of the JB Financial Unit Trusts – the cash and securities – on behalf of unit holders. When you invest in a Unit Trust you are buying units of a trust</p> <p>The Trustee is responsible for the oversight of the JB Financial Unit Trusts.</p>
Custodians Deutsche Bank AG 86, Galle Road Colombo 3	The custodian has physical and book-based custody of the assets of the fund.
Registrar and Transfer Agent JB Financial (Pvt) Ltd. 150 St. Joseph Street Colombo 14	As registrar and transfer agent, JB Financial maintains all unit holder records, processes purchase, switch, and redemption orders, and issues investor account statements and financial reports to unit holders on behalf of the Funds.
Portfolio Advisor	<p>The portfolio advisor provides investment advice and portfolio management services to the Funds.</p> <p>The portfolio advisor is bound by the *CFA Institute Code of Ethics and Standards of Professional Conduct, and the CFA Institute Asset Manager’s Code.</p>
Auditors Ernst & Young 201 De Saram Place Colombo 10	The Auditors conduct an audit of the financial records of the Funds and report to the unit holders on the Funds’ annual financial statements in accordance with Sri Lankan accounting and auditing standards.

*CFA Institute, a global, not-for-profit organization comprising the world’s largest association of investment professionals, is dedicated to developing and promoting the highest educational, ethical, and professional standards in the investment industry worldwide.

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FORWARD PRICING

Both buy and sell transactions are traded at prices next determined, that is, based on the NAV at the end of the day. The dealing prices for transaction made will only be known at the end of each business day.

There are two prices for a unit trust – the Manager's Selling price and the Manager's Buying price. The Selling price is the price at which the Manager sells units to unit holders. The Buying price is the price at which the Manager buys back units. These prices are derived from the NAV but include any entry or exit charges of the fund.

HOW TO PURCHASE OR REDEEM UNITS

Purchase or redemption of units can be done by completing the Purchase or Redemption form:

In person

- ✓ Call over at 150, St Joseph Street, Colombo 14.
- ✓ Through a JB Financial distribution agent.
Please call 11 2 490 900 to locate a JB Financial Planner in your area, or visit www.jbfinancial.lk

By post

- ✓ Please mail to:
The Transaction Officer
JB Financial (Pvt) Ltd.
150, St Joseph Street, Colombo 14

By telephone

- ✓ Contact the Customer Relationship Officer, JB Financial on 112 490 900 if applicable

(This last option is only available if authorization to accept fax or email instructions has been ticked and signed in the JB Financial Unit Trusts application form.) Full instructions including completing the section entitled Payment Information, and a signature for verification must be provided when completing the Purchase and/or Redemption forms.

PURCHASE

The units of the Fund offered under this Explanatory Memorandum are offered on a "no-load" basis – that is, units are sold without a commission or sales charge. The purchase price of units will be the Manager's Selling Price next determined after receipt of funds.

Please note that purchase orders are processed *upon realization of funds*. A new account will be open within one business day of receiving an application. All duly completed orders will be processed within one business days of its receipt. Fund prices may change within this time period.

Confirmation of purchase of units of a Fund duly dated will be dispatched within two business days of the purchase.

MINIMUM INITIAL INVESTMENTS AND ACCOUNT BALANCES

Minimum initial investment and subsequent transaction criteria must be met in order to purchase units of a Fund. Minimum initial investment and account balance levels are established in an effort to control the cost of servicing accounts which impacts all unit holders.

Minimum Initial Investment	Minimum Additional Investment
Rs 1,000,000	Rs. 100,000

The above minimums do not apply to units purchased through the reinvestment of distributions/dividends.

SWITCH

All or a portion of units held in one JB Financial unit trust can be redeemed to buy units of another JB Financial unit trust as long as the minimum initial investment, minimum account balance and other requirements are met. This is called a switch.

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When an order to switch is received by a completed Switch Form, units in the original unit trust are redeemed and the proceeds used to buy units of the new one.

REDEMPTION

Units can be redeemed in full or partly. The redemption price of a unit will be the relevant Manager's Buying price next determined after receipt of the Redemption Form.

For Redemption requests received before 12:00 PM on a business day, that day's (redemption day) Manager's Buying price will apply and proceeds will be dispatched within two business days (market days), provided all sections are completed and signed for verification. Payment will be made to the first holder on record (if applicable), by direct deposit if a bank account is indicated in the application, to the linked JB Securities brokerage account (if applicable) or failing which by crossed cheque sent by ordinary post to the address on file.

AS PER THE SEC RULE ON "LARGE INVESTORS" DESCRIBED ON PAGE 5 ABOVE, INVESTORS REDEEMING 3% OR MORE OF THE NAV OF THE FUND ARE REQUIRED TO GIVE A MINIMUM OF FOURTEEN (14) DAYS HOWEVER THE FUND REQUIRES A LOWER MINIMUM OF THREE (03) BUSINESS DAYS (MARKET DAYS) NOTICE. HEREAFTER PAYMENT WILL BE MADE AS ABOVE.

Payment made by direct deposit to the bank account on file is the quickest way to receive redemption proceeds.

How we process your purchase or redemption orders

If an order is received before 12:00 PM on a Valuation Date, the Manager's Buying and Selling prices will be based on the NAV of that day.

If an order is received after 12:00 PM on a Valuation Date, or at any time on a day that is not a Valuation Date, the Manager's Buying and Selling price will be based on the NAV of the next Valuation Date.

The company has the right to reject an order within one business day of receiving it. If an order is rejected the funds will be returned immediately without interest. Accepted orders will be confirmed via a transaction receipt that will act as the proof of the transaction.

Generally, the information required for redemption will include:

- ☐ Fund name and account number;
- ☐ Rupee amount or number of units to be redeemed;
- ☐ Payment instructions
- ☐ Signatures of all account owners exactly as registered;

Units are held in scrip less form in an electronic ledger therefore no certificates are issued upon purchase.

A record of the number of units owned and their value will be sent out every six months.

REGISTER

A Register of Unit Holders is maintained in electronic form and contains the beneficiary's name, address and quantity of units owned. The person named in the Register is the only one who will be recognized by the Trustee and Managers. Any change of name or address must be immediately advised in writing, together with any supporting documentation that may be required. Units are freely transferrable.

FINANCIAL REPORTING

An annual report that includes the audited financial statements of the Fund will be made available to unit holders. The financial year end for this Fund is 31 December. A half yearly financial statement will also be made available.

SUSPENSION OF DEALING

Under specific exceptional circumstances detailed in the Trust Deed, dealing in units may be temporarily

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Fees and expenses payable by the unit trust

Management fees	All unit trusts pay an annual management fee. This fee is calculated and accrued daily and paid monthly. See the Key Fact Sheet on page 1 above for the management fee that is payable by the Fund.
Portfolio Transaction Costs	Each unit trust may pay costs associated with portfolio transactions, including, but not limited to, brokerage commissions to purchase and sell portfolio securities and research and execution costs, if any.
Administration fee	An annual administration fee will be payable in consideration of the operating expenses of the Fund which include the cost of preparing and modifying the trust deed and other documents, professional fees, taxes and duties, unit holder communication and payout costs - including preparing, printing and disseminating of financial reports, account statements and confirmations and other disclosure documents; stamp duty, regulatory filing fees, unit holder meeting cost and bank charges (if applicable).
Trustee fee	This fee is calculated and accrued daily and paid monthly. See the Key Fact Sheet on page 1 above for the trustee fee that is payable by the Fund.
Taxes	Any taxes and other duties payable in the establishment, execution, management or termination of the unit trust.
Custodian fee	The custodian fee is Rs. 180,000 per annum. (plus taxes)
Registrar fee	The registrar fee is Rs. 600,000 per annum.

suspended. However, this may only be done with the prior written consent of the SEC and the Trustee.

FEES AND EXPENSES

The previous table lists the fees and expenses that are payable in a unit trust. The unit holder pays some of these expenses directly. Others are payable by the Fund, which reduces the value of the investments in the Fund.

RIGHTS OF UNIT HOLDERS

Unit Holders have the right to

1. Redeem or transfer units registered in their name.
2. Receive annual and half yearly financial information of the fund.

3. Participate and vote at unit holder meetings.
For further information on rights of unit holders, please refer to the Trust Deed.

DIVIDEND DISTRIBUTIONS

Distributions by a unit trust may be received as cash or by reinvestment in additional units. Distributions are payable to unit holders on record as at the close of business on the Valuation Date immediately preceding the distribution date. The distribution frequency for this unit trust is at the manager's discretion and presently none. The unit holder will receive a six monthly statement indicating the number of units allotted and how the distribution has been paid.

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If automatic reinvestment was requested, additional units will be allotted at the applicable NAV on the next Valuation Day following the dividend declaration date. Accounts belonging to minors will automatically reinvest dividends in additional units.

If cash was requested, payment will be made to the first holder on record (if applicable), by direct deposit to the bank account indicated in the application or failing which by crossed cheque sent by ordinary post to the address on file.

MANAGER'S AND TRUSTEE'S COVENANTS
MANAGER'S COVENANTS

1. Carry on the business of the Trust efficiently and in the interests of the Unit Holders
2. Hand over any money to the Trustee promptly
3. Redeem units when requested by Unit Holders
4. Provide information required by Trustee
5. Appoint a Compliance Officer
6. Give Unit Holders 21 days notice of any meeting of Unit Holders

TRUSTEE'S COVENANTS

1. Take reasonable care in dealing with the Trust's activities
2. Keep the books of the Trust
3. Have the Trust audited annually
4. Send the accounts to the Unit Holders
5. Prepare and act according to a Code of Conduct

TAXATION CONSIDERATIONS***Income tax considerations for individual investors***

All dividend distributions paid to unit holders either in cash or reinvestments in additional units are tax free in the hands of unit holders.

In addition, profits and income from the redemption of a unit in a Unit Trust or Mutual Fund are exempt from tax.

Taxation of the Fund**a. Tax liability of the Fund**

- i. Income Tax - The Fund is liable to corporate tax at 10% on its taxable profit (Inland Revenue Act No. 10 of 2006)
- ii. Income derived from investment in listed debentures and equity is tax exempt - Interest income derived from investment in listed corporate debt securities is exempt from tax (expected) effective January 2013.
Income from sale of quoted shares is exempt from tax. (Amendment to Inland Revenue Act 10 of 2007).
- iii. VAT on financial services – The value addition attributable to a unit trust (mutual fund) from interest, dividend or dealing in debt instruments is excluded from the scope of financial VAT (Amendment to Value Added Tax Act No 8 of 2012)
- iv. Fees for the provision of fund management services to the fund are exempt from VAT (expected) effective January 2013.

b. Taxation liability of unit holders

- i. Dividend Distributions
Distribution in the form of dividends is exempt from tax (Inland Revenue Act No. 10 of 2006 and Inland Revenue (Amendment) Act No. 10 of 2007).
- ii. Redemption of Units
All income (interest and capital gains) from redemption proceeds of units are exempt from tax. (Amendment to Inland Revenue Act No 8 of 2012. See also Inland Revenue Act No. 10 of 2006 and Inland Revenue (Amendment) Act No. 10 of 2007)
- iii. Withholding tax - none

The above is a general summary of the sections relating to unit trust investments of the Sri Lanka Inland Revenue Act. If one is doubtful of one's tax position vis a vis investments in units trust one should consult one's tax advisor for more complete advice.

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GIPS COMPLIANCE

JB Financial claims compliance with the Global Investment Performance Standards (GIPS®).

The Global Investment Performance Standards (GIPS Standards) is a practitioner driven ethical set of principles and a standardized industry-wide approach to calculating and reporting returns to prospective clients. The GIPS standards are based on the ethical principles of fair representation and full disclosure and provide three important benefits to prospective investors

1. Confidence in the integrity of performance presentation.
2. Comparability between performance of compliant firms worldwide in a fair and comparable format.
3. Reliability and consistency of provided return calculations.

OTHER DISCLOSURES

JB Securities (Pvt) Limited, a connected party of JB Financial, has been licensed as an approved broker by the Securities and Exchange Commission of Sri Lanka Act. No. 36 of 1987. The Fund may transact in shares of listed companies through JB Securities (Pvt) Limited in the normal course of business.

MANAGER AND TRUSTEE

Manager

JB Financial is a company in existence since 1994 and is under the umbrella of the Jafferjee Brothers group and owned largely by the same individual shareholders. JB Financial is an SEC licensed Investment Manager in addition to being an SEC licensed Unit Trust Manager and is engaged primarily in the business of fund management. JB Financial has sufficient reserves at its disposal to enable it to conduct its business effectively and meet its liabilities. In particular JB Financial has an issued and paid up capital and capital reserves in excess of the minimum required of Rs. 25 million. The company maintains at all times a positive net asset position.

The directors of JB Financial are of good repute and possess the necessary experience for the performance of their duties.

The key personnel of JB Financial possess over ten years of experience each in fund management, advising and managing high net worth and corporate/institutional funds. Experience includes expertise gained in the money market instruments.

JB Financial has sufficient human resources and technical resources at its disposal to carry out both its front office and back office functions and does not rely solely on the expertise of one individual to conduct its business. In particular the company possesses proprietary technical resources for investor account maintenance, record keeping and internet transacting.

The overall integrity of the company is safeguarded through a system of internal controls and written procedures in place which are regularly monitored by senior management to ensure timeliness and compliance. Conflicts of interest are addressed to safeguard investor interests.

Trustee

Deutsche Bank AG, Colombo Branch will act as Trustee and Custodian to the JB Vantage Value Equity Fund.

Deutsche Bank AG, Colombo branch is 100% owned by Deutsche Bank AG and provides administrative services across a range of financial structures, specializing in Custody and related Trustee Services. Deutsche Bank AG is one of the world's leading international financial service providers, with approximately Euro 1,128 billion in assets and over 68,000 employees in 74 countries worldwide. A lean, dynamic and focused universal bank Deutsche Bank AG is a global leader in Corporate Banking and Securities, Transaction Banking, Asset Management and Private Wealth Management.

The Trustee's responsibilities are mainly to exercise due diligence and vigilance over the Fund with the objective of safeguarding the interests of the Unit Holders. The Trustee is the legal owner of the Fund Assets and will hold them on behalf of the Unit Holders. It is also responsible for ensuring that the Manager performs its obligations of all payments on behalf of the Fund and for appointing the Fund's auditors.

The Directors of the Management Company accept full responsibility for the accuracy of the information contained in this Explanatory Memorandum and confirm having made all reasonable enquiries that to the best of their knowledge and belief there are no other material facts the omission of which would make any statement herein misleading.

The Trustees hereby declare and certify that they have read and agreed with the representations herein.

The Trustee and Managers declare that they will carry out transactions at an arm's length basis and on terms which are best available for the fund, as well as act, at all times, in the best interests of the fund's unit holders;

They further declare that the requirements of Securities and Exchange Commission's issued guidelines have been complied with.