



Prospective investors may please be cautioned that this document is the first of its kind issued in the territory of Bangladesh in terms of format, depth of disclosure, contents and other criterion. Therefore, kindly peruse and try to comprehend the contents of this prospectus before concluding any investment decision. If you have any question or confusion about this document, you may please consult your stockbroker, bank manager, solicitor, accountant or other professional financial advisor. Please do not rush to your decision either way with your hard-earned savings.

P R O S P E C T U S

for
PUBLIC ISSUE OF 10,000,000 SHARES OF TK 1.00 EACH AT PAR
of
the first mutual fund in bangladesh under private initiative

AIMS FIRST GUARANTEED MUTUAL FUND

A 100% Capital Guaranteed Mutual Fund

Sponsors:

IPDC of Bangladesh Limited
Sandhani Life Insurance Company Limited
Pangaea Partners (BD) Limited
IDLC of Bangladesh Limited
Southeast Bank Limited
Uttara Finance and Investments Limited
Sandhani Credit Co-operative Society Limited
Bangladesh Industrial Finance Company Limited

Trustee:

Bangladesh General Insurance Company Limited (BGIC)

Custodian:

Standard Chartered Bank

Redemption Capital Underwriters:

IDLC of Bangladesh Limited
AIMS of Bangladesh Limited

Asset Management Company:

Asset & Investment Management Services of Bangladesh Limited
(AIMS of Bangladesh Limited)

SUBSCRIPTION OPENS: March 05, 2000

SUBSCRIPTION CLOSES: March 16, 2000

Date of Publication of Prospectus: February 26, 2000

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Fund directory

Registered Office	AIMS of Bangladesh Limited Chandrashila Suvastu Tower 69/1 Panthopath (East), 5 th floor Dhaka 1205	Sponsors	IPDC of Bangladesh Limited BRAC Center (8 th floor) 75 Mohakhali Dhaka 1212
Auditors	Hoda Vasi Chowdhury & Co. <i>Chartered Accountants</i> Ispahani Building (1 st floor) 14-15 Motijheel C.A Dhaka 1000		Sandhani Life Insurance Company Limited Taranga Complex (3 rd floor) 19, Rajuk Avenue Dhaka 1000
Legal Advisor	Mirza Quamrul Hasan <i>Advocate</i> The Law Consultants 35/A Purana Paltan Line VIP Road Dhaka 1000		Pangaea Partners (BD) Limited Chandrashila Suvastu Tower (5 th floor) 69/1 Panthopath (East) Dhaka 1205
Bankers	Southeast Bank Limited 1 Dilkusha C.A Dhaka 1000 Standard Chartered Bank 18-20 Motijheel C.A Dhaka 1000		IDLC of Bangladesh Limited Hadi Mansion (6 th floor) 2 Dilkusha C.A Dhaka 1000 Southeast Bank Limited 1 Dilkusha C.A Dhaka 1000
Redemption Capital Underwriters	IDLC of Bangladesh Limited 1 Dilkusha C.A Dhaka 1000 AIMS of Bangladesh Limited Chandrashila Suvastu Tower 69/1 Panthopath (East), 5 th floor Dhaka 1205		Uttara Finance and Investments Limited Jiban Bima Tower (6 th floor) 10 Dilkusha C.A Dhaka 1000
Custodian	Standard Chartered Bank 18-20 Motijheel C.A Dhaka 1000		Sandhani Credit Co-operative Society Limited 16 Motijheel C.A Dhaka 1000
Trustee	Bangladesh General Insurance Company Limited (BGIC) 42 Dilkusha C.A Dhaka 1000		Bangladesh Industrial Finance Company Limited 15 Dilkusha C.A. (7 th floor) Dhaka 1000
Investment Manager	AIMS of Bangladesh Limited Chandrashila Suvastu Tower 69/1 Panthopath (East), 5 th floor Dhaka 1205		

definitions

"AIMS"	Asset & Investment Management Services of Bangladesh Limited
"AMC"	Asset Management Company
"Asset Management Company"	AMC, who will act as Investment Manager of the Fund.
"BGIC"	Bangladesh General Insurance Company Limited
"Certificate"	Share/Unit Certificate of the Fund
"Commission"	Securities and Exchange Commission or SEC
"CSE"	Chittagong Stock Exchange
"Custodian"	Standard Chartered Bank, who will physically keep and safeguard the securities.
"DSE"	Dhaka Stock Exchange
"EPS"	Earning Per Share
"Fund"	AIMS First Guaranteed Mutual Fund
"IDLC"	Industrial Development Leasing Company of Bangladesh Limited
"Investment Advisor"	AMC
"IPDC"	Industrial Promotion and Development Company of Bangladesh Limited
"Investment Manager"	AMC
"NAV"	Net Asset Value
"NBR"	National Board of Revenue
"NRB"	Non Resident Bangladeshis
"PE"	Price Earning Multiple
"SBL"	Southeast Bank Limited
"SCB"	Standard Chartered Bank
"Sponsors"	The Sponsors of the AIMS First Guaranteed Mutual Fund, who has provided 40 percent of the initial size of the Fund.
"Trustee"	Bangladesh General Insurance Company Limited (BGIC), who is the guardian of the Fund, held in Trust for the benefit of the unit holders, in accordance with the Regulation and this instrument of Trust.
"Unit Holder"	Shareholder of AIMS First Guaranteed Mutual Fund
"DY"	Dividend Yield
"PBR"	Price Book-Value Ratio
"Regulations"	SEC (Mutual Fund) Regulations 1997

preliminary

Publication of Prospectus for Public Offering

AIMS First Guaranteed Mutual Fund has received Registration Certificate from the Securities and Exchange Commission under Securities and Exchange Commission Act, 1993 and SEC (Mutual Fund) Regulations 1997 made thereunder and also received consent for issuing prospectus for public offering. A complete copy of the prospectus of the public offering is available for public inspection at the registered office of the Fund.

IT MUST BE DISTINCTLY UNDERSTOOD THAT IN REVIEWING THE PROSPECTUS AND PROVIDING THE CONSENT, THE COMMISSION DOES NOT TAKE ANY RESPONSIBILITY FOR THE FINANCIAL PERFORMANCE OR ANY OF THE STATEMENTS MADE OR OPINION EXPRESSED WITH REGARD TO THE FUND; RESPONSIBILITY FOR WHICH LIES WITH THE SPONSORS, ASSET MANAGEMENT COMPANY, TRUSTEE AND/OR AUDITOR. ANY REPRESENTATION OR STATEMENT MADE TO THE CONTRARY IS A CRIMINAL OFFENCE.

IT IS HOWEVER THE COMMISSION'S RESPONSIBILITY TO ENSURE THAT FULL AND FAIR DISCLOSURES ARE MADE IN THE PROSPECTUS ON THE BASIS OF DOCUMENTS/PAPERS SUBMITTED UNDER THE REGULATIONS, SO THAT THE INVESTORS CAN MAKE INFORMED DECISION.

Listing of Certificate

Application will be made to both Dhaka and Chittagong Stock Exchanges within ten days of the first issue of prospectus for admission of the certificates of the Fund for dealing on the stock market and for their quotation on Stock Exchanges.

If, for any reason, the application for listing is not accepted by any of the Stock Exchanges within six weeks of the closure of subscription, allotment of certificates shall be void, and the Fund shall refund the subscription money within thirty days from the expiry of six weeks of the closing of subscription list.

In case of non-refund of the subscription money within the aforesaid thirty days, the Fund shall be liable to pay interest at a rate of 5 (five) percent above the bank rate.

Documents available for inspection

Copies of the following documents may be inspected during usual business hours on any business day at the office of AIMS of Bangladesh Limited, Chandrashila Suvastu Tower (5th floor), 69/1 Panthopath (East), Dhaka 1205 during the period of 10 days from the date of this prospectus:

1. Copy of the Prospectus¹
2. Trust Deed
3. Asset Management Agreement
4. Capital Guarantee Agreement

Subscription

Subscription to the AIMS First Guaranteed Mutual Fund will commence at the opening of banking business on **March 05, 2000** and will be closed at the end of banking business on **March 16, 2000**.

¹ Printed copies of the Prospectus will be available with the Members of the Stock Exchanges, Bankers and Distributors to the Issue and at the office of AIMS of Bangladesh Limited. The Prospectus is also available at SEC website, [http://: www. secdbd.org](http://www.secdbd.org)

Declaration about the responsibility of the Sponsors

The Sponsors, whose names appear in this prospectus, accept responsibility for the information contained in this document as regards to the objectives of the Fund. To the best of the knowledge and belief of the Sponsors, who have taken all reasonable care to ensure that such is the case, the information contained in this document, drawn up by virtue of the Trust Deed of the Fund, is in accordance with the Regulations and facts, and does not omit anything likely to affect any informed investment decision.



C. M. ALAM
Managing Director
IPDC of Bangladesh Ltd.



M. A. KARIM
Managing Director
Sandhani Life Insurance Company Ltd.



IRSHADUL ISLAM
Managing Director
Pangaea Partners (BD) Ltd.



M. AMINUL ISLAM
Managing Director
IDLC of Bangladesh Ltd.



SYED ANISUL HUQ
Managing Director
Southeast Bank Ltd.



SAYYED HUSAIN JAMAL
Managing Director
Uttara Finance and Investments Ltd.



KHAN MD. FIROZ KABIR
Managing Director
Sandhani Credit Co-operative Society Ltd.



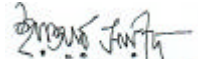
KHALILUR RAHMAN
Managing Director
Bangladesh Industrial Finance Co. Ltd.

Declaration about the responsibility of the Underwriters of Capital

The Underwriters of Capital of the Fund, whose names appear in this prospectus, accept the responsibility that if on sale of all assets of the Fund at redemption on maturity at the end of 5th year fails to realize the Capital of the Fund (including the margin deposit against the underwriting), then the Underwriters shall provide for the balance to the Fund i.e. the shortfall amount, if any (and not the total of underwritten value or total of the Net Exposure amount in any eventuality), after realization of the Margin Deposit plus balance of the other assets of the Fund in the form of securities and reserve, subject to fulfillment of the terms & conditions of the Guarantee Scheme.



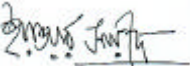
M. AMINUL ISLAM
Managing Director
IDLC of Bangladesh Limited



YAWER SAYEED
Managing Director & CEO
AIMS of Bangladesh Limited

Declaration about the responsibility of the Asset Management Company

This prospectus has been prepared by us based on the Trust Deed, Asset Management Agreement, and examination of other materials as relevant for adequate disclosure of the Fund's objective and investment strategies to the investors and we confirm that (a) the prospectus forwarded to the Commission is in conformity with the documents, materials and papers related to the issue, (b) all the legal requirements of the issue have been duly complied with, and (c) the disclosures made are true, fair and adequate to enable the investors to make a well informed investment decision. Investors should be aware that the value of an investment under the Fund might go down as well as up. Accordingly, no guarantee can be given as to the return or earning of any investment made. *Like any other equity investment, the investment in the Fund is only suitable for investors who are willing to accept a moderate degree of risk. Attention is particularly drawn to the "Risk Factor" detailed at Chapter 3, which must be taken into cognizance by any prospective investor.*



YAWER SAYEED
Managing Director & CEO
AIMS of Bangladesh Limited

Chapter 1

INVESTMENT OPPORTUNITY

The Background Story

In the Bangladesh stock market, most of the general investors are not properly informed about the companies they invest in and the overall state of the market as well as the economy. Therefore, market distortions marked by sharp rise and fall, not in tandem with real life situation, has been a common phenomenon. It happened in the late 80s and again in 1996. The market PE peaked at 81x in October 1996, which was 26.54x in August that year. It has now dropped to around 9.16x (December 30, 1999). Loss of confidence exacerbated from the forefront. Economic fundamentals, however, cast its long shadow from above and within, validated by not so encouraging performance of the industrial sector. Nudging inflation from 4.85% in December 1997 to 12.67% at the end of 1998, wider fiscal deficit, higher interest rate of different new fixed income saving schemes and prime lending rates of commercial banks, currency devaluation and fragile foreign exchange reserve, have not been conducive to capital market growth.

There is, however, always a silver lining beneath the darkest clouds. The trading pattern of the Bangladesh capital market has changed since automation of the bourses. The average daily turnover has increased quite significantly and stocks of smaller denomination have been the turnover leaders in the market, albeit volatile trends. This is attributed to the daily netting off system in settlement. Although such a phenomenon may not depict the real time factual position of the listed companies, the system has streamlined the transactions at the Exchanges and enhanced liquidity in the market.

This particular attribute has become a significant factor for informed market players who are well equipped with computerized stock movement tracking tools. Institutional investors and mutual funds active in the market can take advantage of such a relatively high market liquidity by earmarking a part of their stake as tactical holding, for short term gains through Tactical Asset Allocation (TAA) strategy and putting their leverage of expertise and experience in full use. The budgetary impact should have a positive bearing in corporate income growth. The period of painful hibernation in the capital market appears to be over, reflected in general response to recent IPO offerings. The interest in the primary market requires to be sustained and nurtured, to come out of the quagmire that the market is in for quite a long time.

Right Maneuver in Structural Reforms

In the given bearish circumstances, the necessity for reforming the capital market was badly felt by the regulators and, as a part of the reform process, institutionalization of the market received due importance. It is only the institutional players that can invest in resources like in-depth research for making informed decisions. They can play a vital role in moderating the market movement by transacting against the crowd and contribute in bringing transparency and stability. Keeping the imperatives in mind, the Securities and Exchange Commission and the Stock Exchanges moved to a new regime in order to bring institutional actors on the stage. Stock Exchange automation, promulgation of Securities and Exchange Commission (Merchant Banker and Portfolio Manager) Regulations 1996 and Securities and Exchange Commission (Mutual Fund) Regulations 1997 are major steps in this regard. The experience of Bangladesh capital

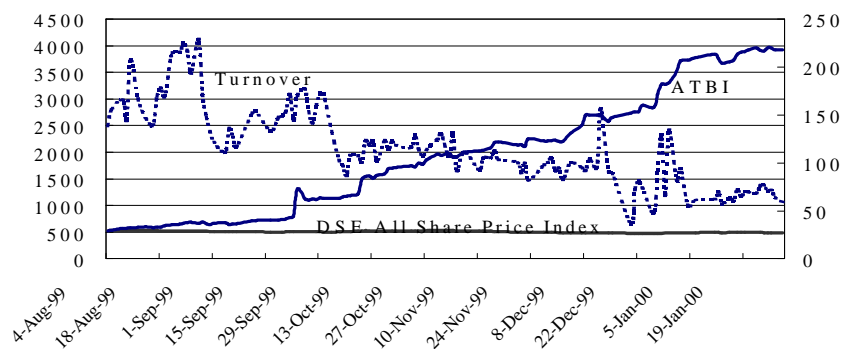
market is that, though driven by confidence of general investors, the market is ultimately ruled by true asset value of the listed companies. Now the market, priced at only 0.86x of book value (December 30, 1999), can be considered as fairly cheap.

Mutual Funds Can Make a Difference

History has shown that the best time to buy stocks is when prices have suddenly and dramatically declined and are persisting. After a period of rapid decline in market values (56 percent between June 1997 and December 1999), some bargains have emerged in their own fundamental merits. Our belief is that the timing is particularly good for the establishment and development of mutual funds in the private sector. For a fund with a 5-year investment horizon, this is a fair opportunity to construct the portfolio in a cheap market. Few blue chip companies and growth stocks are trading below market P/E on current earnings and few small-cap-growth stocks show good prospects.

We at AIMS have devised an index, *AIMS Turnover Based Index (ATBI)*[†], to track the changing trading pattern of the Bangladesh Capital Market. The index is weighted for turnover and not the traditionally employed market capitalization. Quite interestingly, the index has been nudging up during the past six months. It indicates that when stock prices have declined, turnover was low, but when the market experienced upper movements, it surfed with higher turnover. Stocks of lower denomination have played a dominant role in such waves. This will be apparent if we analyze the turnover leaders since automation; most of those were of Tk 10 face value and of small cap companies.

Movement of Dhaka Stock Exchange



We believe that the current conditions represent a fairly good opportunity to purchase stocks that were previously overvalued and that this will underpin very strong performance of the Fund over the next few years. We also believe that the market will show an average annual fifteen percent growth during the next three years from the low point that it has reached. Now it may not be a time for long-term investors and Fund Managers to remain on the sidelines but to maintain their rational approach to investment by picking good and diversified bargains through a thoughtfully constructed investment portfolio, i.e. Mutual Fund.

[†] ATBI should not be considered as a replacement of DSE/CSE All Share Price Index, nor taken as indicating benchmark return from the market. It only indicates direction of market movement which is expected to have a forward-bearing effect on DSE/CSE All Share Price Index.

Professional fund managers search for the most attractive assets and securities. They do all the footwork to uncover opportunities and research them to make sure that the investment is appropriate for the fund. The fund's stated goal, or investment objective influences the choice of securities.

Another benefit of mutual fund is *liquidity*; the ability to move money in and out of the investment. Unlike fixed deposits or CDs where money is tied up for a period of time, mutual funds are designed so that access or exit is easy.

Advantages of Mutual Fund

- Mutual Funds substantially lower the investment risk of small investors through diversification in which funds are spread out into various sectors, companies, securities as well as entirely different markets. It is always the objective of a fund manager to maximize a fund's return for a given level of risk through a tolerable risk-return tradeoff.
- Mutual Funds mobilize the savings of small investors and channel them into lucrative investment opportunities. As a result, mutual funds add liquidity to the market. Moreover, given that the funds are long term investment vehicles, they reduce market volatility by offering support to scrip prices.
- Mutual Funds provide the small investor access to the whole market that, at an individual level, would be difficult if not impossible to achieve.
- Because funds are professionally managed, investors are relieved from the emotional strain associated with the day to day management of the fund. Moreover, the amount of analytical research and study that goes into selecting the best securities for a fund portfolio can prove to be overwhelming for the individual investor, and is best left to the experts.
- The investor saves a great deal in transaction costs given that s/he has access to a larger number of securities by purchasing a single share of a mutual fund.
- The investor can pick and choose a mutual fund to match his/her particular needs.
- Mutual Funds is the only vehicle which operates simultaneously both at the demand as well as the supply side of the market. On the supply side, the Mutual Funds, being itself a listed security at the Stock Exchanges, introduces a good and reliable instrument in the capital market for the small but astute investors. Mutual Fund shares have been one of the most sought after scrips. On the demand side, since Mutual Fund investments are primarily in secondary market stock and bonds bought at the Stock Exchanges, the demand for blue chip shares thus increases with the operation of the Mutual Funds.
- Mutual Funds are one of the most strictly regulated investment vehicles. The laws governing mutual funds require exhaustive disclosure to the SEC as well as the general public. The laws also entail continuous regulation of fund operations by the Trustee.

The opinion expressed in this section, unless otherwise specified, represents the opinion of AIMS of Bangladesh Limited, based upon own analysis, and should not have any bearing in individual investment decision.

Chapter 2

THE FUND

Establishment

The Trust Deed of the Fund was registered on January 02, 2000 under the Trust Act 1882 and Registration Act 1908. The SEC registered the Fund on January 27, 2000 under the Securities and Exchange Commission (Mutual Fund) Regulations 1997.

The team-managed all-weather Fund is a 'close-ended capital guaranteed balanced mutual fund' established to enable both institutional and private investors to invest in the Bangladesh capital market. The Fund will be providing investment incentives and opportunities in order to help broaden the investment base in Bangladesh. The life of the Fund is five years, although there are circumstances set out in the Trust Deed where the unit holders can extend the life of the Fund.

Close-ended Policy

The Fund will adopt a closed-ended policy in its operation. In compliance with the policy, the Fund will not change the initial capital position by issuing any additional shares or repurchasing existing shares during the life of the fund.

Guarantee Policy

The investors, including the sponsors, of the Fund are guaranteed with respect to their initial capital investment on redemption. The initial subscription amount, i.e., the face value will be paid back at maturity (redemption) even if the per share NAV falls below par at that point of time.

The capital of the Fund is fully underwritten at redemption only at the end of the fifth year from the date of listing by IDLC of Bangladesh Limited and AIMS of Bangladesh Limited up to a maximum fund size of Tk 100 million.

Under the Scheme, the Fund shall place with IDLC an irrevocable margin deposit with a validity of five years, amounting to 30 percent of the final fund size, where IDLC will pay interest @ 13.5% p.a. compounded semi-annually.

The net exposure, representing the final Fund size less future value of margin deposit at maturity, will be shared on a pro-rata basis by IDLC and AIMS and there will be an underwriting commission of 1.25% p.a. on 50% of the net exposure amount, paid semiannually in advance to IDLC. ***AIMS will not charge any commission on their portion of the exposure.***

Additionally, the Fund has incorporated hedging mechanism by which there will be a trigger sale by the Fund as and when market price of any security in the portfolio of the Fund falls by 25 percent of acquisition cost, provided that at no point of time the portfolio value, excluding the margin deposit value at maturity, shall be below the net exposure of the Capital Guarantee Scheme of the Fund.

Face Value and Market Lot

For the benefit of small investors, the Face Value of the share of the Fund is fixed at Tk 1 (one) and the market lot constitutes 2,500 (two thousand five hundred) shares.

Investment Objectives and Policy

The primary objective of the balanced fund is to achieve capital appreciation as well as earn dividend and interest income through investment in the capital markets of Bangladesh. It mostly will focus on preservation of principal and at the same time earn

moderate return for the shareholders. The assets of the Fund will be invested principally in equity securities and, if available, equity related hybrid instruments like convertible bonds and warrants. Most of the investments will be made in the companies listed on the DSE and/or CSE. The Fund may also invest in unlisted equity securities directly from the issuers (IPO and pre-IPO placement) at the primary market. The Fund may also invest in listed and/or unlisted debt instruments, including government notes and bonds.

The principal investment objective and policies of the Fund as set out above will, in the absence of unforeseen circumstances, be adhered to during the life of the Fund. The Fund will always adopt the investment policy that will ensure the *balanced* nature. The details of the investment policies are as follows:

- (a) The Fund expects to be fully (with an insignificant cash margin) invested within 120 days from the date of listing.
- (b) The Fund shall invest only in securities and investments approved by the Securities & Exchange Commission, the Bangladesh Bank and/or the Controller of Insurance of Bangladesh.
- (c) The Fund may underwrite public issue of debt or equity securities.
- (d) All Money collected under the Fund, except the margin deposit against Capital Guarantee Scheme, shall be invested only in transferable securities whether in money market or equity market or privately placed debentures or securitized debts.
- (e) Not less than 30 percent of the total assets will be invested in fixed income securities (FIS), including the capital guarantee margin.
- (f) Maximum of 15 percent of the NAV of the Fund may be invested in unlisted equity and/or debt securities purchased directly from issuers (IPO and Pre-IPO placement) at any point of time. It is the intention of the Fund that where investments are made in unlisted securities, such investments shall be in securities where a listing can reasonably be expected within a reasonable period of time. It is not the intention of the Fund to be a provider of 'venture' capital.
- (g) FIS investment will be made mostly in privately placed unquoted debt or depository instruments of different terms.
- (h) The equity portfolio will be a growth-value blend basket of large-cap as well as small-cap stocks.
- (i) In order to increase the profit potential, the manager will have the flexibility to use market timing to move between stocks and FIS in any percentage they deem prudent when investment conditions change.
- (j) 40 percent of the total equity investment will be invested in large-cap blue-chip companies. The manager will take a long-term position on such strategic holdings.
- (k) 60 percent of the total equity investment will be invested in small-cap growth companies. The manager will take a short-term position on such tactical holdings.
- (l) In order to protect the capital and increase the profit potential, the manager will have the flexibility to use market timing to move between tactical and strategic holdings in any percentage they deem prudent, when investment conditions change.
- (m) The Fund will seek to invest in companies, which it considers to exhibit good growth potential and have sound management.
- (n) Dividend and interest income will be the primary consideration and capital appreciation will be the secondary consideration in making strategic investments.
- (o) Capital appreciation will be the primary consideration and dividend and interest income will be the secondary consideration in making tactical investments.

- (p) During periods in which the Investment Manager believes changes in economic, financial or political conditions will adversely affect the Fund's portfolio, the Fund may, for temporary defensive purposes, reduce holdings in equity and other securities and invest in short and/or medium-term debt securities or hold cash.

The investment objective of the Fund is not fundamental and so may be changed by the AMC and the Trustee. However, shareholders would be notified of any material change in the Fund's objective. There is, however, no assurance or pretence that the Fund will achieve the stated objective.

Transaction Policy

- (a) Only the AMC will make the investment decisions and place orders for securities to be purchased or sold by the Fund.
- (b) AMC will choose prime brokers for the purchase and sale of securities for the Fund's portfolio.
- (c) The primary objective of the AMC in choosing broker(s) will be to obtain the most favorable net results taking into account such factors as price, commission, size of order, difficulty of execution and the degree of skill required of the broker(s). The capability and financial condition, integrity and reputation of the broker(s) shall also be a criterion for the choice of that particular broker.
- (d) AMC can transact in securities of the portfolio of the Fund for any amount through any number of brokers other than the prime brokers, if the AMC deems prudent, considering the prevailing market environment.
- (e) The AMC will review, at least quarterly, the commissions allocated to the brokers to determine if such allocations were reasonable in relation to the benefits inuring to the Fund.
- (f) Transactions requiring physical settlement shall be through the Custodian of the Fund.
- (g) In case of normal upward trend, securities will be sold only if the gain from the trades covers the costs of the transactions.
- (h) In case of strategic holdings, securities will not be sold if the tentative gain does not surpass the expected dividend yield.
- (i) There will be a trigger sale by the Fund as and when market price of any security in the portfolio of the Fund falls by 25 percent of acquisition cost, provided that at no point of time the portfolio value excluding the margin deposit value at maturity shall be below the net exposure of the Capital Guarantee Scheme of the Fund.
- (j) The Fund shall buy and sell securities on the basis of deliveries and shall, in all cases of purchases, take delivery of securities and in all cases of sale, deliver the securities on the respective settlement dates as per the custom and practice of the stock exchanges and shall in no case put itself in a position whereby it has to make short sale or carry forward transaction or engage in badla finance.
- (k) The Fund shall get the securities purchased and transferred in the name of the Fund, where investments are intended to be of long-term nature.

Investment Restrictions

The following restrictions are fundamental policies of the Fund that may not be changed without the approval of majority of the Fund's outstanding voting securities. If a percentage restriction on investment or use of assets set forth below is adhered to at the time a transaction is effected, later changes of holding value due to changes in market price movement will not be considered a violation of the restrictions.

- (a) The Fund shall not invest in securities having unlimited liability.
- (b) The Fund shall not buy its own shares.

- (c) Investments by way of privately placed debentures, securitized debts and other unquoted debt instruments shall not exceed 40% of the total assets of the Fund.
- (d) The Fund shall not invest more than 10% of its assets in any one particular company shares.
- (e) The Fund shall not own more than 15% of any company's paid-up capital at any point of time.
- (f) The Fund shall not invest more than 20% of the funds in shares, debentures or other securities of a single company.
- (g) The Fund shall not invest more than 25% of its funds in shares, debentures or other securities in any one industry.
- (h) The Fund shall not involve in option trading or short selling or carry forward transactions.
- (i) The Fund shall not invest in or lend to another scheme under the same Asset Management Company.

Investment Management

AIMS of Bangladesh Limited shall conduct the day to day management of the Fund's investment portfolio as the Asset Management Company (AMC). Subject to the provisions laid down in the Trust Deed and the Guarantee Scheme and any general directions the Trustee gives from time to time, the AMC will have discretionary authority over the Fund's portfolio.

Investment Style

The manager will adopt both fundamental and quantitative investing approach for the Fund. As quantitative approach has few definite benefits like discipline, more predictable return, continuity in the case of portfolio manager change, risk management & control etc, the manager will adopt the approach especially in allocating assets. In picking up individual stocks, the manager will adopt fundamental approach as the manager thinks the approach to be more harmonious to our market conditions.

The manager will adequately and thoughtfully diversify the portfolio so that the Fund can achieve required returns, assuming below market-average risk. 'Active' investment method, which involve the buying and selling of securities based on economic, financial and market analysis and investment judgement, will be adopted by the Fund.

Borrowing Policy

The Fund is not permitted to borrow to finance investments. The Fund also shall not advance any term loan for any purpose. The Fund shall not give or guarantee term loans for any purpose or take up any activity in contravention of the Regulations.

Distribution Policy

The members of the Dhaka and Chittagong Stock Exchanges will be the primary distributors of the IPO of the Fund. Additionally, commercial banks and insurance companies have been involved in distributing the IPO of the Fund to reach every remote but potential corners of the country. ***The City Bank Limited*** and ***Sandhani Life Insurance Company Limited*** will act as distribution agents of the Fund at a minimal commission of 0.25 percent only. The members of the stock exchanges will receive the traditional 1 percent seal commission for similar services. AIMS holds that the new distribution system will facilitate proper functioning of fundamental forces of market movements and supply and demand dynamics. Furthermore, the distribution system is expected to significantly contribute to the expansion of the personal savings industry of the country.

Dividend Policy

- i. The accounting year of the Fund shall be July 01 to June 30, or as determined by the SEC Regulation.
- ii. The AMC may from time to time declare and pay dividends to the shareholders as appear to the AMC to be appropriate and approved by the Trustee.
- iii. The Fund shall distribute at least 90 percent of the 'Annual Income'² of the Fund, as dividend, at the end of each accounting year.
- iv. No dividend may be declared or paid other than from funds lawfully available for distribution.
- v. Surpluses arising simply from the valuation of investments shall not be available for dividend.
- vi. Dividend warrants will be dispatched within 40 days from the declaration of such dividends.
- vii. The AMC may from time to time pay to the shareholders interim dividends as in their judgement the financial position of the Fund may justify.
- viii. A transfer of share shall not pass the right to any dividend declared thereon before the registration of the transfer.
- ix. The AMC may, with sanction of Trustee and SEC, direct payment or satisfaction of any dividend wholly or in part by the distribution of specific assets, and in particular of paid up shares or debentures.

Valuation Policy

The Fund intends to determine its NAV no less frequently than the close of business on the last business day of each week by dividing the value of the net assets of the Fund (the value of assets less liabilities) by the total number of shares outstanding. Through the registration of the Fund, the SEC has approved the method of valuation that the Fund has adopted to value investments. Details of the valuation policy are as under:

- (a) In valuing the Fund's assets, the average price of securities quoted on the last trading day of the week at DSE.
- (b) When the securities were not traded on the particular valuing date at DSE, the average price quoted at CSE on that particular valuing date would be taken into account in valuing such securities.
- (c) When the securities were not traded either at DSE or CSE on the particular valuing date, immediate previous average price, which one is nearer, but not longer than 90 days, to the valuing date will be taken into account.
- (d) When the securities were not traded either at DSE or CSE for a period for over 90 days, securities will be valued considering the value derived by multiplying the respective EPS of the last available reported year with the Sector PE multiple or the procurement value of the securities, which one is lower.
- (e) In case of listed debenture valuation, last quoted average price at DSE will be taken into account.
- (f) The valuation of non-listed securities will be made by the AMC with their reasonable value and approved by the Trustees and commented upon by the Auditors in the Annual Report of the Fund.

² Before declaring dividend the Fund shall provide for depreciation on investments and also make a provision for Bad and Doubtful Investments to the satisfaction of the Auditors and shall create a Dividend Equalization Reserve by appropriation from the income of the Fund.

- (g) Once non-listed securities are valued, the valued amount will be considered for purpose of valuing the Fund's assets in any interval of time until the securities are further revalued by the AMC.
- (h) AMC will value the non-listed securities at least twice a year.
- (i) In case of investment in long-term debt instruments, accrued interest for the period up to the date of valuation will be taken into account for the purpose of valuation of assets of the Fund.
- (j) In case of deferred expenses, accrued expenses for the period will be taken into account for determining total liabilities.

Following the valuation criteria as set forth above, the Fund will use the following net formula to derive NAV per share.

$$Total\ NAV = V_A - L_T$$

$$NAV\ Per\ Share = \frac{Total\ NAV}{No.\ of\ Share}$$

V_A = Value of all securities in vault + Value of all securities placed in lien + Cash at hand and bank + Value of all securities receivables + Receivables of proceeds of sale of investments + Dividend receivables, net of tax + Interest receivables, net of tax + Issue expenses less amortized for the period + Printing, publication and stationery expenses less amortized for the period = Value of Total Assets of the Fund for the Period.

L_T = Value of all securities payable + Payables for purchase of investments + Payables with respect to brokerage and custodial charges + All other payables with respect to printing, publication and stationery + Accrued deferred expenses with regard to management fee, trustee fee, annual fee, audit fee, guarantee commission and safe keeping fee = Total Liabilities of the Fund for the Period.

Redemption Policy

It is the intention that the shareholders of the Fund will be fully redeemed at maturity. The policies pertaining to redemption are described below:

- (a) If three-fourth majority of the shareholders do not decide otherwise at the closing meeting called for the purpose, the Trustee of the Fund will declare full redemption. The shareholders can authorize the Trustees and/or AMC to take steps for winding up of the Fund.
- (b) The Trustee or AMC shall dispose of the assets of the Fund concerned in the best interest of the shareholders of the Fund. After making appropriate provision for meeting the expenses connected with such winding up, the balance shall be paid to the shareholders in proportion to their respective interest in the assets of the Fund as on the date when the decision for winding up was taken.
- (c) On completion of the winding up, the Trustee shall forward to the Commission and the shareholders a report on the winding up containing particulars such as circumstances leading to the winding up, the steps taken for disposal of assets of the Fund before winding up, expenses of the Fund for winding up, net assets available for distribution to the shareholders and a certificate from the Auditors of the Fund.
- (d) After the receipt of the report, if the Commission is satisfied that all measures for winding up of the Fund have been completed, the Fund shall cease to exist.
- (e) Redemption Warrant will be dispatched within 120 days after such declaration at the closing meeting of the shareholders.

Chapter 3

RISK PARAMETERS

Risk Factor

Prospective investors should appreciate that investment in the Fund involves certain special considerations and risk factors, including those set forth below, which are not necessarily exhaustive or mutually exclusive:

- (a) ***The performance of the Fund is significantly dependent on the macro economic situation and the capital market in particular.***
- (b) There is no assurance that an active trading market in the shares of the Fund will develop.
- (c) ***Since the capital market of Bangladesh is extremely fluctuating, there is no assurance that the Fund will achieve its stated objective.***
- (d) Stock market activity in Bangladesh focuses on a small number of companies representing a limited number of industries, resulting in a potential lack of liquidity and price volatility. In addition, a high proportion of the equity securities listed on the DSE and CSE are closely held and the number of shares currently available for acquisition by the Fund may be very limited. It may therefore be difficult to invest the Fund's assets, to obtain a satisfactory diversification of the portfolio or to realize the Fund's investments at the prices and times that it would wish to do so.
- (e) ***The recent stock market trends show that price of almost all the listed securities move in tandem with the market in the similar direction, inflicting difficulty upon the Investment Manager to diversify the assets of the Fund.***
- (f) Since Bangladesh lacks secondary bond market, the Investment Manager might not be able to swap between different asset classes, as they might desire.
- (g) Money market instruments are also not readily available, which may narrow the opportunity of short term or temporary investments of the Fund.
- (h) If maturity of the Fund is extended by the shareholders at the closing meeting, investment in fixed income securities will be subject to reinvestment risk, i.e., the risk of non-availability of investment opportunity at the current rate at that time.
- (i) In case of extension of maturity of the Fund, the reinvestment risk of fixed income securities may adversely affect the current guarantee policy of the Fund.
- (j) The value of the shares of the Fund can, in direct co-relation with other listed securities, fluctuate. In addition, there is no guarantee that the market price of shares of the Fund will fully reflect their underlying net asset values.
- (k) Since the Fund is a capital guaranteed investment, the credit risk of the guarantor(s) is also associated with the Fund.
- (l) ***Despite careful selection of stocks, the companies may fail to provide expected dividend or make timely disbursements, which may affect the return of the Fund.***
- (m) The Fund may invest up to 15 percent of its total assets in aggregate in unlisted equity securities purchased directly from issuers (Pre-IPO placement) that may involve a liquidity risk.
- (n) ***The value of the Fund's assets may be affected by uncertainties such as political or social instability, or change in any law or regulations of the territory.***
- (o) Although application will be made to the DSE and CSE for the certificate for listing, there is no assurance that the certificate will be listed with the bourses. In the unlikely event of non-listing, the Fund will be redeemed prematurely causing opportunity cost to the investors.
- (p) Bangladesh have been subject to excessive rainfall and cyclones that have in the past caused flooding and loss of human life and have destroyed crops and livestock. The possibility of such adverse climatic condition with negative impact on industry and business does exist, which may have bearing on the performance of the Fund.

Expected Market Performance of the Fund

- (a) Because of capital guarantee, the price of shares of the Fund is unlikely to go below the par of Tk 1 at any point during the life of the Fund.
- (b) One taka share denomination and market lot of 2,500 shares is expected to provide significant liquidity and depth of the Fund.
- (c) Since the shares of the Fund will be well dispersed all over the country, it is expected that demand will always reign over supply.
- (d) Since the capital market index is at all time low now, the Fund should be able to construct portfolio at a relatively cheaper cost base.

These expectations, however, does not represent any definitive forecast.

How much to Invest

Investment amount depends on, among various other factors, investor's risk tolerance, objective, return expectation, income level, consumption pattern, and other obligations to be satisfied. Considering the nature and characteristics of the Fund as well as the investment opportunities available in the market, AIMS suggest that the prospective investors may put up to fifty percent of their total portfolio into the Fund.

New investors, who do not have any previous investing experience, may also put their savings, assuming a minimum risk. The Fund is particularly ideal for investment by the new investors, as their capital is guaranteed at redemption by the Guarantee Policy of the Fund. AIMS suggest that the salaried middle-income new investors may put their savings of not more than three-month's salary into the Fund.

Persons who do not have any basic understanding of the functioning of the capital market are explicitly discouraged from applying for the shares of the Fund.

Chapter 4

FORMATION, MANAGEMENT AND ADMINISTRATION

Sponsors of the Fund

IPDC (Industrial Promotion & Development Company of Bangladesh Limited)

Incorporated in 1981, IPDC is the premier private sector development finance institution in Bangladesh. The Government of Bangladesh owns 30 percent equity of the company. Other shareholders of the company are the Aga Khan Fund for Economic Development of Switzerland, Commonwealth Development Corporation (CDC) of United Kingdom, German Investment & Development Company (DEG) of Germany and International Finance Corporation (IFC), an affiliate of the World Bank, all holding 17.50 percent equity each. Mr. K. M. Ejazul Huq, Secretary, Ministry of Industries, Government of the Peoples' Republic of Bangladesh, is the Chairman and Mr. C. M. Alam FCA is the Managing Director of the company.

Sandhani Life Insurance Company Limited

Sandhani Life Insurance is a leading private life insurance company of the country, operating since 1990. Prominent industrialist Al-Haj Mockbul Hossain MP chairs the company. Mr. Ahasanul Islam Titu MBA (USA) is the Vice-Chairman of the company and Mr. M. A. Karim is the Managing Director. The company is listed with both the Dhaka and Chittagong Stock Exchanges.

Pangaea Partners (BD) Limited

Pangaea Partners (BD) Limited is a joint venture with a US based investment banking and consulting institution, with offices in the United Kingdom, United States, Turkey, South Africa, Zambia and Bangladesh. They are holding the first generation Merchant Bankers license from the Securities & Exchange Commission of Bangladesh. Mr. Eric G. Postel is the Chairman and Mr. Irshadul Islam is the Managing Director of the company.

IDLC (Industrial Development Leasing Company of Bangladesh Limited)

IDLC, a joint venture with foreign and local sponsors, is the pioneer in the leasing business in Bangladesh operating since 1986 and enjoying the largest market share in the leasing industry. Eighty nine percent shares of the company is owned by different financial institutions like Korea Development Leasing Corporation, Korea Long Term Credit Bank, International Finance Corporation (IFC), Aga Khan Fund for Economic Development, German Investment and Development Company (DEG), Industrial Promotion & Development Company of Bangladesh Limited (IPDC), The City Bank Limited and Sadharan Bima Corporation. The company is listed at Dhaka as well as at Chittagong Stock Exchange. Mr. C. M. Alam FCA, Managing Director of IPDC of Bangladesh Limited, is the Chairman and Mr. M. Aminul Islam is the Managing Director of the company. They also hold Merchant Banking license from the SEC.

Southeast Bank Limited

Southeast Bank Limited (SBL) has been carrying out commercial banking activities in the country since May 1995 as a scheduled bank. Fourteen prominent entrepreneurs of the country promoted the Bank. Reputed industrialist Mr. Yussuf Abdullah Harun, former President FBCCI and Vice Chairman SAARC Chamber of Commerce is the Chairman and Mr. Syed Anisul Huq is the Managing Director of the Bank. Mr. Shah Md. Nurul Alam, MBA is the Deputy Managing Director. Currently the bank has twelve branches covering the major cities of the country.

Uttara Finance and Investments Limited

Uttara Finance and Investments Limited, a leading leasing and financing company, is a joint venture between the renowned Uttara Group and Singapore based investors. The shareholding structure constitutes 20.83% foreign ownership and 10.82% by the Investment Corporation of Bangladesh. Mr. Rashid-ul Hasan, founder Chairman of IDLC and a former Managing Director of IPDC, is the Chairman and Mr. Sayyed Husain Jamal is the Managing Director of the company. Besides leasing, the company also ventured into Merchant Banking business, licensed by the SEC. The company is listed with both the Dhaka and Chittagong Stock Exchanges.

Sandhani Credit Co-operative Society Limited (SCSL)

SCSL, a leading venture in the credit union business, started its operation in 1998. Guided by prominent industrialist Al-Haj Mockbul Hossain MP, Chairman and Mr. Khan Mohammad Firoz Kabir, Managing Director, the society has already established its name in mobilizing funds and lending to the small and medium scale business enterprises.

Bangladesh Industrial Finance Company Limited (BIFC)

BIFC is a newly established finance and leasing company under joint venture with Hong Kong. Mr. Golam Kabir is the Chairman and Mr. Md. Khalilur Rahman MBA is the Managing Director. Major (Retd.) Abdul Mannan is an Alternate Director of the Company.

Trustee of the Fund

Bangladesh General Insurance Company Limited (BGIC)

BGIC is the first general insurance company of Bangladesh in the private sector operating for the last fifteen years. The Chairman & Managing Director Mr. M.A.Samad, who is also the founder of the company, is an eminent personality in the insurance arena. The other directors of the company are Mr. Salim Ahmed, Mr. Mosahid Ali, Mr. Salim Bhuiyan, Mr. Sayeed Hossain Chowdhury, Mr. A. Z. Humayun, Mr. A S M Shahidullah Khan, Mr. Towhid Samad, Mr. Abdus Sattar, Mr. F.M.A.B. Siddique, Mr. Saleh Ahmed, Mr. Mahbub-ul-Alam Chowdhury, Mr. Sirajul Islam Chowdhury, Mr. Mahmud Hasan, *Mr. M. A. Motaleb*³, and Mr. Kalim Sharafi. The company is listed with both the Dhaka and Chittagong Stock Exchanges. This is for the first time they are acting as a Trustee.

BGIC has constituted a Committee to discharge the obligation of the Trustee with the following members:

- Mr. M. A. Samad, Chairman & Managing Director
- Mr. Khorshed Alam (former Governor of Bangladesh Bank), Advisor
- Mr. Anisuzzaman Chowdhury FCA, Financial Consultant, and
- Mr. Md. Mustafa, Chief Manager

Custodian of the Fund

Standard Chartered Bank (SCB)

SCB is a UK based commercial bank operating in Bangladesh for over fifty years. They have been providing the custodial services to the foreign institutional portfolio

³ Mr. M. A. Motaleb has classified loan liability of Tk 47.50 million (Demand Loan) against directorship at another company M/S Khalil Ship Breakers Ltd.

investors in Bangladesh for the last several years. They are highly experienced and skilled in this line of business and enjoy a reputation for confidentiality, timely settlement, reporting, and collecting corporate announcements for their clients. This is for the first time they are providing custodial service to a local mutual fund.

Investment Manager of the Fund

AIMS (Asset and Investment Management Services) of Bangladesh Limited

AIMS is the first investment and fund management company of this kind under private initiative in Bangladesh. The shareholders of the company are all practicing professionals, highly qualified in their professed vocation and are either returned or expatriate Bangladeshis. Majority shareholders belong to one alumni, Old Rajshahi Cadets Association (ORCA). AIMS is equipped with computerized automated system and a team of expert capital market professionals to run the outfit. The core management team has been recruited with experienced managers formally with leading institutions at home and abroad. Brief profiles of the directors and key personnel of the company are as under:

Mr. Quazi A. K. Refaul Huq, M.A. in International Relations & M.A. in History from the University of Dhaka is the Chairman of AIMS. **Mr. Monzurul Haque** MBA, Managing Director, ORG-MARG Quest is a Director of the Company. Other Directors are **Dr. Akhter Hussain** PhD, Continuing Education Center, Asian Institute of Technology (AIT), Thailand and **Mr. Zahidus Salam Mia** BSc (Engr), Technical Director, DuCoa LP, Springfield, USA, both non-resident Bangladeshis.

Mr. Yawer Sayeed, a dual citizen of Bangladesh and Australia with an MBA and post graduation on Applied Finance & Investment from Sydney is the *Managing Director & CEO* of the company. He is also an Associate of the Securities Institute of Australia. Mr. Sayeed brings with him over sixteen years of diverse hands on experience in the financial services sector at home and abroad. Prior to joining AIMS, he was the Consultant, Capital Market Operations at Vanik Bangladesh Limited. Well known in the industry circle for his commentaries in leading national dailies and journals on capital market and economic issues, Mr. Sayeed also teaches in MBA program at the private universities and other training institutes. Married with two children, he is a well-traveled man and attended various international investment and capital market related conferences in Europe and Australasia.

Mr. Mahmudul Bari, *Manager - Fund Management Group* is a Masters in Finance with honors. He has over five years' experience in the capital market industry with two leading brokerage and investment companies - Securities Consultants Limited and Vanik Bangladesh Limited. He has undergone few comprehensive training on portfolio management, corporate research methodology, fixed income securities management, margin trading and other related capital market techniques at home and abroad. Happily married Mr. Bari is the operational head of the core management team.

Mr. Muhammad Shamsur Rahman, *Manager - Research Group* is a Marine Engineer and an MBA in Finance. He was on the high seas for over two years, working for a UK based company. On obtaining his business qualification, he joined Asia Securities Limited and later moved to Premium Securities Limited. Mr. Rahman specialized in corporate and sector research and published a comprehensive country investment report on Bangladesh for distribution among international fund managers. Before joining AIMS, he was with Vanik Bangladesh Limited, responsible for Research. Father of two children, he has over five years of hands on experience in capital market research.

Mr. Md. Mizanur Rahman, Manager - Accounts & Finance Group is a Masters in Accounting with honors. He has to his credit of over nine years of practical experience in his field of expertise, including four years in Capital Market activities. Mr. Rahman started his career with Youngone Corporation and later joined First Capital Securities Limited and then moved to Union Capital (formerly Peregrine Capital Bangladesh). Blessed with one child, he has appeared in the final level for qualified CMA examination.

Mr. Md. Moniruzzaman, Senior Executive Officer, the youngest member of the core management group, is an MBA from North South University, Dhaka. Prior to joining AIMS, he worked with Swadesh Investment Management Limited. He did his BBA from the International Islamic University of Malaysia and worked for Abrar Unit Trust Management Berhad and Abrar Global Asset Managers in Kuala Lumpur. He is amongst a few qualified experts in the field of 'Technical Analysis' in Bangladesh. Still a bachelor, he has been associated with foreign and local capital market throughout his career. Mr. Moniruzzaman is responsible for investment strategy at AIMS.

Executive Officers, Laila Mahmuda Shilpi, Shataj Shaffe and Farzin Rahman and IT Executive Tanzeem Zaman Mazumder support the core team.

Auditors

Hoda Vasi Chowdhury & Co, Chartered Accountants has been appointed as the Auditor of the Fund for the first year. They are one of the oldest audit firm of the country and are associated with world renowned Deloitte Touche Tohmatsu. Subsequent auditors shall be appointed by the Trustee.

Fees and Expenses

The Fund will pay the fees of AMC, the Trustee and the Custodian together with any additional fees, commissions and expenses as may be agreed from time to time. The Fund will bear its own costs and expenses incurred in connection with its formation, promotion, registration, public offering, listing together with certain other costs and expenses incurred in its operation, including, without limitation, expenses for legal, auditing and consulting services, other professional fees and expenses, brokerage costs, share registration expenses, guarantee or underwriting commission and other fees due to the SEC. The Fund will also bear all expenses of printing, publications and stationery relating to its operation.

On the basis of a fund size of Tk 50 million, the AMC estimated the normal annual operating expenses, including management, trustee and marketing fees, exclusive of issue, transaction and guarantee expenses will not exceed three percent of the average NAV of the Fund in a year. While this estimate has been made in good faith on the basis of information made available to and garnered by the AMC, there can be no assurance, given the Fund is the first privately managed mutual fund in the country with special characteristics, that actual operating expenses will not be more or less than such estimates. Major expenses of the Fund are detailed as follows:

Issue and Formation expenses

Issue and formation expense is estimated to be not over 6 percent of the total fund size. The expense will be amortized within 5 years on a straight-line basis. The major expenses constituting the Issue and Formation expenses are presented on the following pages.

<i>Formation Fee payable to AMC</i>	1.00 percent
<i>Brokerage Commission⁴ payable to Stock Brokers</i>	0.12 percent
<i>Distribution Commission⁵ payable to Distributors</i>	0.02 percent
<i>Bankers to the Issue Fee⁶</i>	0.15 percent
<i>Legal, Printing & Publication (including prospectus)</i>	3.95 percent
<i>Other Expenses</i>	0.43 percent
Total	5.67 percent

The calculations are made on tentative Fund size of Tk 50 million.

Management Fee

The Fund will pay a management fee to the AMC @ 2.50 percent per annum of the weekly NAV up to Tk 50 million and @ 2 percent for additional amount of NAV up to Tk 500 million over Tk 50 million and @ 1.50 percent for additional amount of NAV over Tk 500 million, accrued and payable quarterly.

Trustee Fee

The Fund shall pay a sum of Tk 100,000 to the Trustee on semi-annual in advance basis as trusteeship fees.

Custodial fee

The Fund shall pay to the Custodian a fee @ 0.30 percent of the total trade volume and @ 15 basis point per annum for safe keeping calculated on month-end value of the balance securities kept with the custodian, accrued and payable monthly.

Fund Registration and Annual Fee

The Fund paid a sum of Tk 100,000 to the SEC as registration fee. The Fund will also pay an annual fee of Tk 50,000 to the SEC, every year during the life of the Fund as per Securities and Exchange Commission (Mutual Fund) Regulations 1997.

Capital Redemption Underwriting Commission

The Fund will pay the Capital Redemption Underwriter IDLC a commission of 1.25 percent per annum on 50% of the net exposure amount, paid semiannually in advance. *AIMS will not charge any commission on their portion of the exposure.*

Listing Fee

The Fund shall pay the usual listing fees and annual renewal fees to the stock exchanges.

Audit Fee

The Fund will pay Tk 25,000 to the Auditors for the first year and fees for subsequent years will be fixed by the Trustee.

Accounts and Information

The Fund's financial year-end will be 30th June, or as per the SEC Regulation. Annual reports and audited accounts of the Fund will be published and sent to the shareholders within 90 days from the closure of each financial year. In addition, the NAV per share will be published on a monthly basis in two national newspapers. Furthermore, the AMC will publish and notify to the DSE and CSE the NAV, NAV per share and any suspension or alteration of the calculation of the NAV.

⁴ Assuming 60 percent of successful applications will bear the rubber stamp of the brokers.

⁵ Assuming 40 percent of successful applications will bear the rubber stamp of the distributors.

⁶ Assuming Tk 30 million will be collected through subscription.

Chapter 5

CAPITAL STRUCTURE, TAX STATUS AND RIGHTS OF SHAREHOLDERS

1. Capital Structure

Share Issue

The Fund has issued 50,000,000 shares of Tk 1 each at par totaling Tk 50,000,000. The total issue has been distributed as follows:

Subscribers	No. of Shares	Taka
Sponsors	20,000,000	20,000,000
Pre-IPO Placement	20,000,000	20,000,000
General Investors	10,000,000	10,000,000
Total Size of the Fund	<u>50,000,000</u>	<u>50,000,000</u>

Subscription from the Sponsors

20,000,000 shares at Tk 1 each have been subscribed and paid in full by the sponsors. The respective holdings of the sponsors are as follows:

Sponsors	No. of Shares	Taka
IPDC of Bangladesh Limited	2,500,000	2,500,000
Sandhani Life Insurance Company Limited	4,000,000	4,000,000
Pangaea Partners (BD) Limited	4,500,000	4,500,000
IDLC of Bangladesh Limited	2,500,000	2,500,000
Southeast Bank Limited	3,000,000	3,000,000
Uttara Finance and Investments Limited	2,000,000	2,000,000
Sandhani Credit Co-operative Society Limited	1,000,000	1,000,000
Bangladesh Industrial Finance Company Ltd.	500,000	500,000
Total Sponsorship	<u>20,000,000</u>	<u>20,000,000</u>

Pre-IPO Placement

20,000,000 shares at Tk 1 each have been privately placed with the following institutions, as follows:

Pre-IPO Investors	No. of Shares	Taka
Consortium of Exchange Members & Clients ⁷	14,000,000	14,000,000
Pangaea Partners (BD) Limited	5,000,000	5,000,000
Investment Corporation of Bangladesh (ICB)	500,000	500,000
Green Delta Insurance Company Limited	500,000	500,000
Total Private Placement	<u>20,000,000</u>	<u>20,000,000</u>

Public Offer

10,000,000 shares at Tk 1 each are being offered to the public for subscription in cash in full on application. Certificates will be allocated in the manner placed alongside. The public offer may be increased under circumstances detailed at Chapter 6.

	Shares
NRBs	1,000,000
General Public	9,000,000
Total Public Offer	<u>10,000,000</u>

⁷ Royal Enterprise Tk 2.00m, Nilufar Nazma Tk 1.00m, SAR Securities Ltd., Farque Cloth Store, Sohel Enterprise, Chartered Capitals Limited, Farhana Enterprise, Shahida Rahman, Md. Asadullah, Abdul Hafiz, Mizanur Rashid Chowdhury, Deba Brata Narayan Chowdhury, Mahtab Uddin Ahmed, Moklesur Rahman, Golam Mohammad, Mohammad Ali, Kazi Nazmul Hoque, Hussain Ismat Reza, Nazib Amzad all Tk 0.50m each, Fortune Investment and Finance Tk 0.45m, Md. Jahangir Hossain, Md. Raqibul Islam Tk 0.40m each, Momotaj Begum and Zafata International Limited each Tk 0.30m, Israt Jahan Tk 0.25m, Tasneem Afroze and M. Abul Kalam Mazumdar Tk 0.20m each. Address of the individual Private Placement Holders has been submitted to the Commission and is also available for inspection.

2. Exemption from Income Tax

Investment in the Fund by an individual assessee will qualify for investment tax credit under Section 44(2) of the Income Tax Ordinance, 1984.

3. Insurance Act Approval

Application has been made to the Controller of Insurance, for the purpose of registration of the Fund as 'Approved Investment' under Section 2 (3A) of the Insurance Act, 1938, for Insurance Companies registered in Bangladesh.

4. Rights of the Shares

The rights attaching to the shares of the fund are as follows:

- (a) **Voting rights:** Shareholders shall have the usual voting right in person or by proxy in a meeting held in connection with any proposal to amend the characteristics of the Fund or any other agenda of meetings called by the Trustee, in the circumstances delineated in the Trust Deed. On a show of hands, every shareholder present in person or by proxy shall have one vote and, on a poll, every shareholder on record of the Fund present in person or by a proxy shall have one vote for every share of which s/he is the holder.
- (b) **Transfer of shares:** As per the Trust Deed, the shares of the Fund are freely transferable and no fee shall be levied for transfer of shares. No transfer shall be made to an infant or persons of unsound mind.
- (c) **Dividend:** The shares carry rights to dividends as explained in the '**Dividend Policy**' of the Fund, set forth in Chapter 2.
- (d) **Periodic Information:** The shareholders of the Fund shall have the right to obtain the Audited Annual Reports of the Fund. Besides, they will be informed on a monthly basis about the NAV of the Fund, through publishing the same in the newspapers.
- (e) **Disclosure:** The Trustees shall make or cause to make such disclosures to the investors as are essential in order to keep them informed about any development, which may have bearing on their investments.

Chapter 6

CONDITIONS FOR OFFER, ALLOTMENT AND APPLICATION OF SHARES

1. Share Issue

- i. The Fund offers 10,000,000 shares of Tk 1 each at par totaling Tk 10.00 million.

2. Allotment of Shares

- i. NRBs shall have the right of preferential allotment to the extent of 10%, i.e., 1,000,000 shares. In case of under subscription, the unsubscribed amount shall be added to the general category.
- ii. The rest 9,000,000 shares will be distributed among the general investors, where market intermediaries, financial institutions, and other institutional investors would get preference.

Tk. 1,000,000

Tk. 9,000,000
Tk. 10,000,000

3. Retention in Case of Over Subscription

- i. In case of over subscription by the public, the Fund, at the discretion of the AMC and with consent from the SEC, may retain the oversubscribed amount in part or in full, subject to a maximum Fund size of Tk 100 million.
- ii. If retention is made, the size of the Fund will be increased accordingly and all the allotment conditions will be applicable for the additional amount as well, on a proportionate basis.
- iii. In case of retention, the applicants will be notified through press circulation, published in at least two national newspapers.

4. Minimum Amount to be Raised

- i. The target amount to be raised in respect of the Fund is Tk 50,000,000 (Taka fifty million) only, including the sponsor's contribution and private placement.
- ii. The Trustees and AMC shall be liable to refund to the public investors the entire amount collected, if public subscription fails to collect a minimum amount of sixty percent of the targeted amount, less sponsors' contribution, referred to in the Regulation, i.e., Tk 18,000,000 (Taka eighteen million) only by the Fund, inclusive of any private placement.
- iii. Any amount refundable under the Regulation shall forthwith, but, in any case *not later than 40 days* from the date of the closure of the subscription list be refunded by Account Payee Non-negotiable Check or Pay Order or Bank Draft sent by registered post or courier to the public subscribers.
- iv. In the event of failure to refund the amounts within the period stipulated in the Regulation, the Fund shall be liable to pay interest to the applicants at a rate of *15 (fifteen) percent per annum* on the expiry of the aforesaid period, as per provisions of the Regulation.

5. Conditions of Allotment

- i. In case of over-subscription that may not be retained, allotment shall be made by separate lottery in both the categories among all the valid applicants in the presence of authorized representatives of DSE, CSE, Sponsors, Trustee, AMC and the members of the public who would like to be present.
- ii. There shall not be any issue of odd lot/broad lot or fractional shares.
- iii. Allotment amongst applicants for lots other than minimum lot shall be made on pro-rata basis in market lots.
- iv. In case of any difficulty with respect to implementation of the conditions of offer and allotment of shares, the allotment of shares to applicants shall be made in such a manner as may be determined by the SEC.
- v. The Fund reserves the right to accept any application in whole or in part.
- vi. Successful applicants will be issued with certificates of the Fund, with hologram/security affixed, *within 60 days* of closing of subscription lists.
- vii. The Fund intends to opt for direct issue of share certificates to the successful applicants, in order to save cost and as a safeguard measure against forgery. Therefore, no separate allotment letters will be issued and consequently there will be no renunciation period.
- viii. Where an application is not accepted in full or in part, the money received on application will be refunded to the applicant, without any interest, *within 40 days* of closing of subscription lists through a Refund Warrant with account number, bank and branch name as mentioned on the Application Form. *Interest @ 15% p.a.* will be paid to the unsuccessful applicants where application money is refunded after 40 days from the date of closing of subscription lists.
- ix. Where allotment is made in whole or in part in respect of joint application, the certificate will be dispatched to the person whose name appears first on the application form, notwithstanding that the shares have been allotted to joint applicants. Where joint application is accepted in part, the balance of any amount paid on application will be refunded without interest to the person named first on the application form.

6. Conditions of Application for Subscription

- i. Application for shares may be made for a minimum of 2,500 (two thousand five hundred) shares valuing Tk 2,500 or multiples thereof and must not be for less than 2,500 shares or fractions thereof, i.e. less than Tk 2,500 only.
- ii. Application should preferably be made on the prescribed printed forms. Application Form and Prospectus may be obtained from the registered office of the AMC, branches and agencies of Distribution Agents, members of DSE and CSE or from the Bankers to the Issue. The prospectus is also available at SEC website, <http://www.secdb.org> In case adequate forms are not available, applicants may use photocopied, cyclostyled, hand written or typed copies of the forms.
- iii. Joint application form for more than two persons will not be accepted. In the case of joint application, each party must sign the application form.

- iv. Application must be in full name of individuals or limited companies or trusts or societies, Bangladeshi or foreign, but not in the name of minors or persons of unsound mind.
- v. An applicant can submit only two applications, one in his/her own name and the other jointly with another person. In case an applicant makes more than two applications, those in excess of two applications shall not be considered for allotment purpose.
- vi. All completed application forms together with the subscription for the full amount payable shall be lodged by the investors, other than NRBs, with any of the branches of the Bankers to the Issue.
- vii. Payment for subscription by investors, other than NRBs, may be made to the branches/office of the banks mentioned on page 30, in Cash/Check/Pay Order/Bank Draft. The Check/Pay Order/Bank Draft shall be made payable to the bank to which it is submitted and be marked "AIMS First Guaranteed Mutual Fund" and shall bear the crossing "A/C Payee Only" and must be drawn on a bank in the same town of the bank to which application form is deposited. The subscription money shall not be invested or be utilized for any other purpose before issuing refund warrants.
- viii. The NRB applicants will submit the filled-in application form along with foreign currency drafts in US Dollar or UK Pound Sterling drawn and payable at Dhaka, directly to the office of the AMC.
- ix. A NRB shall apply either directly, by enclosing a foreign currency demand draft drawn on a bank payable at Dhaka, or through a nominee (including a Bank or a Company) by paying out of foreign currency deposit account maintained in Bangladesh, for the value of securities applied for. The value of securities applied for may be paid in Taka, US Dollar or UK Pound Sterling at the rate of exchange mentioned on the Application Form. Refund against over subscription shall be made in the currency in which the applicant paid the value of shares applied for. Copies of application form and prospectus will be available with the Bangladesh Embassy/High Commission in USA, UK, Saudi Arabia, U.A.E., Malaysia, Japan and South Korea.
- x. The subscription money collected from investors (other than NRBs in US Dollar or UK Pound Sterling) by the Bankers to the Issue will be remitted to the STD A/C 31 000 202, Southeast Bank Limited, Dhanmondi Branch, Dhaka 1205.
- xi. The subscription money collected from NRBs in US Dollar or UK Pound Sterling shall be deposited to a "FC Account for IPO". In case of over subscription, refund shall be made by the Fund out of the "FC Account for IPO". The Fund has opened one "FC Account for IPO" in US Dollar and another in UK Pound Sterling with the **Standard Chartered Bank, Motijheel, Dhaka 1000** on approval of prospectus by the SEC; and close the account after refund of over subscription, if any.
- xii. ***APPLICATIONS NOT IN CONFORMITY WITH THE ABOVE REQUIREMENTS AND THE INSTRUCTIONS PRINTED ON THE APPLICATION FORM ARE LIABLE TO BE REJECTED.***

BANKERS TO THE ISSUE

The City Bank Ltd.

All Branches

Southeast Bank Ltd.

All Branches

Investment Corporation of Bangladesh (ICB)

Head Office, Dhaka.

Local Office, Dhaka

Chittagong Branch , Chittagong

Rajshahi Branch, Rajshahi

Bogra Branch , Bogra

Khulna Branch, Khulna

Barisal Branch, Barisal

Sylhet Branch, Sylhet

Arab Bangladesh Bank Ltd.

Principal Branch, Dhaka

Kakrail Branch, Dhaka

New Elephant Road Branch,

Dhaka

Mirpur Branch ,Dhaka

Nawabpur Road Branch , Dhaka

Agrabad Branch , Chittagong

Khatunganj Branch, Chittagong

Station Road Branch, Chittagong

Bogra Branch, Bogra

Rajshahi Branch ,Rajshahi

Khulna Branch , Khulna

Jessore Branch, Jessore

Barisal Branch , Barisal

Modhuban Branch , Sylhet

Dargahgate Branch , Sylhet

Prime Bank Ltd.

Motijheel Branch, Dhaka

Moulvibazar Branch, Dhaka

Mohakhali Branch, Dhaka

Islamic Banking Branch, , Dhaka

Kawran Bazar Branch, Dhaka

Elephant Road Branch, Dhaka

Mouchak Branch, Dhaka

Gulshan Branch, Dhaka

Bangshal Branch, Dhaka

Narayanganj Branch,

Narayanganj

Khatunganj Branch, Chittagong

Agrabad Branch, Chittagong

Jubilee Road Branch, Chittagong

Rajshahi Branch, Rajshahi

Khulna Branch, Khulna

Jessore Branch, Jessore

Barisal Branch, Barisal

Moulvibazar Branch,

Moulvibazar

Islamic Banking Branch, Sylhet

Sylhet Branch, Sylhet

United Commercial Bank Ltd.

Local Office, Dhaka

Elephant Road Branch, Dhaka

Islampur Branch, Dhaka

Gulshan Branch, Dhaka

Malibagh Branch, Dhaka

Kawran Bazar Branch, Dhaka

Mohammadpur Branch Dhaka

Foreign Exchange Branch, Dhaka

Mohakhali Branch, Dhaka

Agrabad Branch, Chittagong

Khatunganj Branch Chittagong

Jubilee Road Branch, Chittagong

Eastern Bank Ltd.

Principal Branch, Dhaka

Agrabad Branch, Chittagong

Khulna Branch, Khulna

Laldighir paar, Sylhet

National Credit & Commerce Bank Ltd.

Motijheel branch, Dhaka

Moghbazar branch, Dhaka

Mirpur Branch, Dhaka

Dhanmondi branch, Dhaka

Agrabad branch, Chittagong

Khatunganj branch, Chittagong

Rangpur branch, Rangpur

Laldighirpaar branch, Sylhet

AI Baraka Bank Bangladesh Ltd.

VIP Road Branch, Dhaka

Principal Office, Dhaka

Mirpur Road Branch, Dhaka

Bangshal Branch, Dhaka

Kawran Bazar Branch, Dhaka

Gulshan Branch, Dhaka

Dilkusha Branch, Dhaka

Islampur Branch, Dhaka

Agrabad Branch, Chittagong

Rajshahi Branch, Rajshahi

Khulna Branch, Khulna

Sylhet Branch, Sylhet

Uttara Bank Ltd.

Corporate Branch. Dhaka

Local Office, Dhaka

Dilkusha Branch, Dhaka

Hatkholo Branch, Dhaka

Gulshan Branch, Dhaka

Pallabi Branch, Dhaka

Satmasjid Road Branch, Dhaka

Kawran Bazar Branch, Dhaka

Narayanganj Branch,

Narayanganj

Mymensingh Branch,

Mymensingh

Agrabad Branch, Chittagong

Bogra Branch, Bogra

Jessore Branch, Jessore

Sylhet Branch, Sylhet

Islami Bank Bangladesh Ltd

Local Office , Dhaka

Foreign Exchange Branch, Dhaka

Farmgate Branch, Dhaka

Sadarghat Branch, Dhaka

Nawabpur Branch, Dhaka

Gulshan Branch, Dhaka

Narayanganj Branch

Agrabad Branch, Chittagong

Cox's Bazar Branch

Rajshahi Branch

Bogra Branch

Khulna Branch

Barishal Branch

Sylhet Branch

Janata Bank

Local Office, Dhaka

Foreign Exchange Corporate

Branch, Dhaka

Motijheel Corporate Branch, Dhaka

Imamgonj Corporate Branch,

Dhaka

Farmgate Corporate Branch, Dhaka

Topkhana Corporate Branch,

Dhaka

Kemal Attaturk Avenue corporate

Branch, Dhaka

Ramna Coporate Branch, Dhaka

Satmasjid Road, Dhaka

Wapda Branch, Dhaka

Mirpur-1 Branch, Dhaka

Gulshan Circular-1 Branch, Dhaka

Mymensingh Corporate Branch,

Mymensingh

Laldighi East Corporate Branch,

Chittagong

Sk. Mujib Road Corporate Branch,

Chittagong

Comilla Corporate Branch, Comilla

Rajshahi Coporate Branch,

Rajshahi

K.D. Ghosh Road Coporate Branch,

Khulna

Barishal Corporate Branch,

Barishal

Sylhet Coporate Branch, Sylhet

Pubali Bank Ltd.

Local Office, Dhaka

Motijheel Branch, Dhaka

B.B. Avenue Branch, Dhaka

Mohakhali Branch, Dhaka

Kawran Bazar Branch, Dhaka

Sadarghat Branch, Dhaka

Narayanganj Branch, Narayanganj

National Bank Ltd.

Dilkusha Branch, Dhaka

Mohakhali Branch, Dhaka

Bangshal Branch, Dhaka

Elephant Road Branch, Dhaka

Kawran Bazar Branch, Dhaka

Motijheel Branch, Dhaka

Foreign Exchange Branch, Dhaka

Imamgonj Branch, Dhaka

Dhanmondi Branch, Dhaka

Narayanganj Branch, Narayanganj

Agrabad Branch, Chittagong

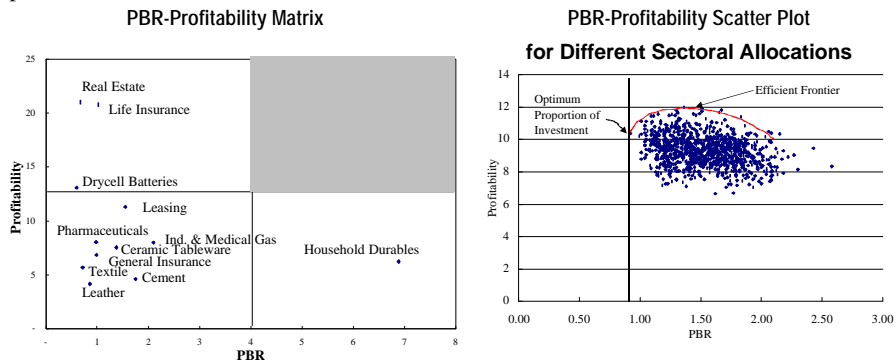
Khatunganj Branch, Chittagong

Chapter 7

PORTFOLIO SECTOR ALLOCATION (EQUITY)

Methodology

The relative proportion of investment to be employed by the Fund in different sectors, has been derived from the 'Efficient Frontier' of 1000 choices in the PBR-Profitability Scatter Plot. We have taken profitability as multiplier of sector growth and gross margin as available to shareholders adjusted for cost of fund and PBR for the price-book-value-ratio. Only the sectors which we prefer to invest in, have been included in the matrix. A 20% provision has been kept for investment in other sectors, in case of opportunities. Some new companies have not been included in stock recommendations due to lack of data, but few of them are worth investing on case-to-case judgmental basis. The fund will also consider investing in pre-IPOs and IPOs.



Following formulae have been used to derive sectoral allocation of investment:

$$adjusted_for_cost_of_fund = \frac{Gross_margin_as_available_to_shareholders - \frac{100 - Gross_margin\%}{100} * Lending_rate_of_commercial_banks * \frac{Paidup_capital}{Market_capital}}{100}$$

$$Profitability\% = \sqrt{\frac{Gross_margin\%_as_available_to_shareholders_adjusted_for_cost_of_fund * \frac{Growth\%}{100} * (1 + \frac{Growth\%}{100}) - 1}{100}} * 100$$

Optimum Proportion of Investment: Recommended Portfolio

The proportions of investment have been extracted from the Efficient Frontier of the 'PBR-Profitability Scatter Plot.' We have chosen 'A' as a benchmark portfolio for initial investment, which represents highest profitability for a given PBR. However, actual proportion of investment can deviate by absolute 10% points in total, depending on short term price fluctuation, market and company specific information, availability of scrips, liquidity and on discretion of the Fund Manager. The benchmark portfolio is valid for a limited period and will be revised time to time with changing market conditions.

Sectors	Portfolios			
	A	B	C	D
Cement	3x	4x	8x	10x
Ceramic Tableware	5x	2x	15x	1x
Drycell Batteries	18x	9x	10x	9x
General Insurance	11x	8x	1x	5x
Household Durables	1x	1x	1x	1x
Industrial & Medical Gas	2x	5x	2x	8x
Leasing	3x	4x	13x	3x
Leather	2x	14x	7x	12x
Life Insurance	12x	13x	12x	20x
Pharmaceuticals	17x	17x	1x	2x
Real Estate	7x	17x	15x	14x
Textile	15x	3x	11x	9x
Other Sectors	y	y	y	y

Annexure

This following section containing Financial Projection, Sector Research, Expected Return and a Brief Outline in Bangla is not a part of the Prospectus but is being annexed to aid informed decision making by the prospective investors.

FINANCIAL PROJECTION


AUDITORS' REPORT TO THE MANAGEMENT OF AIMS OF BANGLADESH LIMITED ON EXAMINATION OF PROSPECTIVE FINANCIAL INFORMATION OF AIMS FIRST GUARANTEED MUTUAL FUND

We have examined the annexed financial forecast of **AIMS FIRST GUARANTEED MUTUAL FUND** for five years in accordance with Bangladesh Standards on Auditing applicable to the examination of prospective financial information. The Management is responsible for the forecast including the assumptions set out herewith on which it is based.

Based on our examination of the evidence supporting the assumptions, we are not aware of any circumstances, which causes us to believe that these assumptions do not provide a reasonable basis for the forecast. Further, in our opinion the forecast is properly prepared on the basis of the assumptions and is presented in accordance with relevant Bangladesh Accounting Standards.

Actual results are likely to be different from the forecast since anticipated events frequently do not occur as expected and the variation may be material.

Dated: January 30, 2000
Dhaka


Aziz Halim Anwar & Co.
Chartered Accountants

ASSUMPTIONS OF PROJECTION

- a) Size - Tk 50.00 million; out of which Tk 20.00 million is provided by the sponsors, Tk 20.00 is subscribed through private placement and the rest Tk 10.00 million will be raised through public issue.
- b) Maturity - redemption at the end of 5th year from the date of listing.
- c) Face value of share - Tk 1.00
- d) **Asset allocation** - 70 percent of total assets will be invested in equity and the rest 30 per cent will be invested in fixed income securities (FIS).
- e) **Equity investment strategy** - 40 per cent of total equity investment will be kept as strategic holding, i.e., longer term holding and the rest 60 percent will be kept as tactical holding, i.e., short term holding.
- f) Dividend income assumed to be accrued at 12 percent yield from the strategic holdings. 80 percent of the total dividend income is assumed to be collected in the year it is declared, and the rest 20 percent will be collected in the following year.
- g) Equity investments assumed to be appreciated at 21, 23, 25, 27, and 29 percent on average in 1st, 2nd, 3rd, 4th, and 5th year respectively.
- h) Appreciation in strategic holdings is assumed to be realized in the following year of appreciation while the appreciation in tactical holdings has been assumed to be realized in the year of appreciation, i.e., each year.
- i) Investment in FIS is assumed to be invested for a five-year term and interest income on FIS investment is assumed to be accrued at 13.5 percent compounded on semiannual yield.

- j) All expenses have been calculated within the permissible limits as detailed in the Securities and Exchange Commission (Mutual Fund) Regulations 1997. The major expenses of the Fund are as follows:
- Management Fee** - estimated at Tk 1.39 million, Tk 1.46 million, Tk 1.53 million, Tk 1.60 million and Tk 1.69 million in the 1st, 2nd, 3rd, 4th, and 5th year of operation respectively.
- Trustee Fee** - Tk 100,000 per annum.
- Audit Fee** - Tk 25,000 per annum.
- SEC Annual Fee** - Tk 50,000 per annum.
- Printing & Publication Fee** - estimated at Tk 50,000 per annum.
- Transaction Expense** - estimated at Tk 1.17 million, Tk 1.25 million, Tk 1.27 million, Tk 1.29 million and Tk 1.31 million in the 1st, 2nd, 3rd, 4th, and 5th year respectively. Transaction expense includes brokerage commission, custodian fee, safekeeping fee and underwriting commission.
- k) Issue expense is estimated at Tk 2.83 million, which will be amortized in 5 (five) years. Issue expense include the following major expenses:
- Formation Fee** - 1 percent of the Fund size.
- Brokerage Commission** - 1 percent of successful applications, assumed at 60 percent of the public issue.
- Distributors Commission** - 0.25 percent of successful applications, assumed at 40 percent of the public issue.
- Banker-to-the-Issue Commission** - 0.25 percent of the subscription amount collected, assuming 2 times over subscription.
- Printing & Publication** - estimated at Tk 1.16 million.
- Legal & Other Expenses** - estimated at Tk 1.03 million.
- l) Realized profit on sale of investment is shown as net of transaction expenses.
- m) Dividends for 1st, 2nd, 3rd, and 4th year have been estimated at Tk 5.04 million, Tk 6.17 million, Tk 7.08 million, and Tk 7.89 million respectively, which are 90 percent of the Distributable Income.
- n) Distributable Income is derived after provisioning for Capital Erosion and Dividend Equalization at 10 and 9 percent on Net Profit respectively.
- o) The dividend of 5th year is estimated at Tk 21.89 million, which is derived after deducting the capital of the Fund from the total realized amount after sale of all investments and adding the Net Profit from that year's operation.
- p) Net Profits are derived by deducting corresponding expenses from that year's accrued revenue which basically comprise interest income, dividend income and capital appreciation, net of transaction costs. Net profits are estimated at Tk 6.91 million, Tk 8.47 million, Tk 9.71 million, Tk 10.82 million, and Tk 12.16 million in the 1st, 2nd, 3rd, 4th, and 5th year respectively.
- q) The capital of the Fund is assumed to be redeemed at the end of the 5th year.
- r) Assuming 200 trading days in a year, the equity portfolio turnover has been estimated at Tk 112.90 million, Tk 122.73 million, 125.19 million, 127.64 million, and Tk 130.10 million in the 1st, 2nd, 3rd, 4th, and 5th year respectively.

STATEMENT OF NET ASSETS AT YEAR-END							
		Tk	Year-1	Year-2	Year-3	Year-4	Year-5
ASSETS	Investment in Securities at cost	49,965,866	50,665,866	51,365,866	52,065,866	-	-
	Appreciation/(Depreciation)	1,881,703	2,318,237	2,503,744	2,694,711	-	-
	Investment in Securities at valuation	51,847,569	52,984,103	53,869,610	54,760,577	-	-
	Cash at bank	402,410	850,189	1,348,523	1,659,808	71,893,302	-
	Interest & Dividend Receivable	2,394,416	4,806,107	7,531,051	10,635,364	-	-
	Issue Expenses, net	2,267,307	1,700,480	1,133,654	566,827	-	-
		56,911,702	60,340,879	63,882,837	67,622,575	71,893,302	
LIABILITIES	Dividend Payable	5,038,631	6,173,032	7,082,228	7,889,213	21,893,302	-
	Amount Payable on Redemption	-	-	-	-	-	50,000,000
		5,038,631	6,173,032	7,082,228	7,889,213	71,893,302	
TOTAL NET ASSETS		51,873,071	54,167,847	56,800,610	59,733,362	71,893,302	
REPRESENTED BY:	Share Capital	50,000,000	50,000,000	50,000,000	50,000,000	50,000,000	-
	Undistributed Income	1,873,071	4,167,847	6,800,610	9,733,362	21,893,302	-
	Reserve for Capital Erosion	691,170	1,537,951	2,509,450	3,591,647	3,591,647	-
	Reserve for Dividend Equalization	622,053	1,384,156	2,258,505	3,232,482	3,232,482	-
	Retained Profit	559,848	1,245,740	2,032,655	2,909,234	15,069,173	-
		51,873,071	54,167,847	56,800,610	59,733,362	71,893,302	
UNITHOLDERS' EQUITY		51,873,071	54,167,847	56,800,610	59,733,362	71,893,302	

STATEMENT OF CHANGES IN NET ASSETS AT YEAR-END							
NET ASSETS AT THE		Tk	Year-1	Year-2	Year-3	Year-4	Year-5
BEGINNING OF THE YEAR		50,000,000	51,873,071	54,167,847	56,800,610	59,733,362	
INCOME	Dividend Income	1,505,363	1,636,403	1,669,163	1,701,923	1,734,683	
	Interest Income	2,093,344	2,385,483	2,718,392	3,097,761	3,530,072	
	Other Income	75,000	100,000	150,000	200,000	200,000	
		3,673,706	4,121,885	4,537,555	4,999,683	5,464,755	
EXPENSES	Trustee Fee	100,000	100,000	100,000	100,000	100,000	
	Audit Fee	25,000	25,000	25,000	25,000	25,000	
	Annual Registration Fee	50,000	50,000	50,000	50,000	50,000	
	Printing & Publication Charges	50,000	50,000	50,000	50,000	50,000	
	Management Fee	1,388,234	1,456,818	1,527,657	1,602,451	1,687,866	
	Amortization of Issue & Marketing Expense (load)	566,827	566,827	566,827	566,827	566,827	
		2,180,061	2,248,644	2,319,484	2,394,278	2,479,693	
NET PROFIT/(LOSS) FROM INVESTMENTS		1,493,645	1,873,241	2,218,071	2,605,405	2,985,062	
	Realized Profit/(Loss) on Sale of Investment, net of custodian and brokerage fees	3,536,354	4,276,330	4,993,175	5,521,850	9,174,877	
NET REALIZED PROFIT/ (LOSS) FOR THE YEAR		5,029,999	6,149,571	7,211,246	8,127,255	12,159,939	
	Unrealized Appreciation/ (Depreciation) on Investments	1,881,703	2,318,237	2,503,744	2,694,711	-	
NET INCREASE/ (DECREASE) IN NET ASSETS AS A RESULT OF OPERATIONS		6,911,702	8,467,808	9,714,990	10,821,965	12,159,939	
MOVEMENT IN CAPITAL							
	Redemption of Capital	-	-	-	-	(50,000,000)	
	Dividends Payable	(5,038,631)	(6,173,032)	(7,082,228)	(7,889,213)	(21,893,302)	
NET INCREASE/ (DECREASE) IN NET ASSETS AS A RESULT OF MOVEMENT OF CAPITAL		(5,038,631)	(6,173,032)	(7,082,228)	(7,889,213)	(71,893,302)	
NET ASSETS AT THE END OF THE YEAR		51,873,071	54,167,847	56,800,610	59,733,362	71,893,302	

CASH FLOW STATEMENT AT YEAR-END						
Cash Flow from Operating Activities	Tk	Year-1	Year-2	Year-3	Year-4	Year-5
Earning for the Period		6,911,702	8,467,808	9,714,990	10,821,965	12,159,939
Amortized Amount of Issue Expense		566,827	566,827	566,827	566,827	566,827
Change in Interest & Dividend Receivables		(2,394,416)	(2,411,691)	(2,724,944)	(3,104,313)	10,635,364
Change in Unrealized Appreciation		(1,881,703)	(436,534)	(185,507)	(190,967)	2,694,711
Total		3,202,410	6,186,410	7,371,366	8,093,513	26,056,841
Cash Flow from Investment Activities						
Addition to Investment in Securities		(49,965,866)	(700,000)	(700,000)	(700,000)	52,065,866
Total		(49,965,866)	(700,000)	(700,000)	(700,000)	52,065,866
Cash Flow from Capital Movement						
Total Subscriptions		50,000,000	-	-	-	-
Issue Expense		(2,834,134)	-	-	-	-
Dividend Paid		-	(5,038,631)	(6,173,032)	(7,082,228)	(7,889,213)
Total		47,165,866	(5,038,631)	(6,173,032)	(7,082,228)	(7,889,213)
Total Cash flow		402,410	447,779	498,334	311,285	70,233,494
Opening Balance		-	402,410	850,189	1,348,523	1,659,808
Closing Cash Balance		402,410	850,189	1,348,523	1,659,808	71,893,302

PERFORMANCE RATIOS						
	Year-1	Year-2	Year-3	Year-4	Year-5	
NAV Per Share (Tk)	1.04	1.08	1.14	1.19	1.44	
EPS (TK)	0.14	0.17	0.19	0.22	0.24	
Turnover Ratio	198%	203%	196%	189%	181%	
Expense Ratio	3.0%	3.0%	3.0%	3.0%	2.6%	
Return on NAV	13.8%	16.3%	17.9%	19.1%	36.7%	
Dividend	10.1%	12.3%	14.2%	15.8%	43.8%	
Redemption Value Per Share (Tk)	-	-	-	-	1.00	
Actual Cash Return	10.1%	12.3%	14.2%	15.8%	43.8%	
Annual Average Return on Investment	16.49%					
Total Holding Period Return	96.15%	+100%Capital				

EXPECTED RETURN

5-Year Holding Period Return: The Fund is expected to provide 10.1, 12.3, 14.2, 15.8 and 42.8 percent dividend to its shareholders in the 1st, 2nd, 3rd, 4th and 5th year respectively, all assumptions remaining valid. In total, the Fund is expected to provide average annualized cash return of 16.49 percent to its investors, i.e. total 96.15 percent cash return in the form of dividend plus 100 percent refund of the capital, during the life of the Fund.

Below Maturity Holding Period Return: In addition to dividend income, investment in the Fund is expected to provide handsome capital gains if the shares are disposed off before maturity. If the holding period of the Fund is 2 years, the investors of the Fund could earn a holding period return of 32.5 percent, considering a moderate market premium equivalent to last year's declared dividend.

It should be distinctly understood that these expectations are not definitive forecasts but result of rational analysis only.