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ICB AMCL UNIT FUND

P R O S P E C T U S

Size of Issue : Initial Target Size Tk. 10.00 crore of 10,00,000 Units of Tk.100.00 each

Initial/Opening price: Sales price Tk. 100.00 per Unit

Investment Manager : **ICB Asset Management Company Limited (ICBAMCL)**
(A Subsidiary of ICB registered as a public limited company)

Sponsor : **ICB Capital Management Ltd. (ICML)**

Trustee & Custodian: **Investment Corporation of Bangladesh (ICB)**

Subscription Opens : **21 June, 2003**

Date of publication of Prospectus : 16 June, 2003 in the Daily “ **Prothom Alo**”

Registered Office:

Shilpa Bank Bhaban (15th Floor), 8, DIT Avenue, Dhaka, Bangladesh

Phone : 9550178, 7160303, 7160306, E-mail : icb@dhaka.agni.com

FUND PROFILE

Registered Office	: ICB Asset Management Company Ltd.(ICB AMCL) BSB Building, 8, DIT Avenue (15 th Floor) Dhaka-1000.
Sponsor	: ICB Capital Management Ltd. (ICML) BSB Building, 8, DIT Avenue (14 th Floor) Dhaka-1000.
Trustee	: Investment Corporation of Bangladesh (ICB) BSB Building, 8, DIT Avenue (12-15 th Floors) Dhaka-1000.
Custodian	: Investment Corporation of Bangladesh (ICB) BSB Building, 8, DIT Avenue (12-15 th Floors) Dhaka-1000.
Investment Manager/ Fund Manager / Asset Management Company	: ICB Asset Management Company Ltd.(ICB AMCL) BSB Building, 8, DIT Avenue (15 th Floor) Dhaka-1000.
Auditor	: Hoda Vasi Chowdhury & Co. Ispahani Building (3 rd Floor) 14-15, Motijheel C/A Dhaka-1000.
Banker	: International Finance Investment & Commerce (IFIC) Bank Ltd. Motijheel Branch, Dhaka –1000.

ABBREVIATIONS / DEFINITIONS:

AMC	:	Asset Management Company.
Certificate	:	Unit Certificate of the Fund.
Commission	:	Securities and Exchange Commission
CSE	:	Chittagong Stock Exchange Ltd.
DSE	:	Dhaka Stock Exchange Ltd.
EPS	:	Earning Per Share
ICB	:	Investment Corporation of Bangladesh
ICB AMCL	:	ICB Asset Management Company Ltd.
ICML	:	ICB Capital Management Ltd.
NAV	:	Net Asset Value
SEC	:	Securities and Exchange Commission
Sponsor	:	Sponsor of the Fund i.e. ICB Capital Management Ltd.
Rules	:	Securities and Exchange Commission (Mutual Fund) Rules, 2001

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Chapter – 1

Preliminary

1.1 Publication of Prospectus for public offering

ICB Asset Management Company Ltd. has received Registration Certificate from the Securities and Exchange Commission under Securities and Exchange Commission Act, 1993 and Securities and Exchange Commission (Mutual Fund) Rules, 2001 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.

1.2 Consent of the Securities and Exchange Commission

“CONSENT OF THE SECURITIES AND EXCHANGE COMMISSION HAS BEEN OBTAINED TO THE ISSUE/OFFER OF THESE SECURITIES UNDER THE SECURITIES AND EXCHANGE ORDINANCE, 1969 AND MUTUAL FUND RULES, 2001. IT MUST BE DISTINCTLY UNDERSTOOD THAT IN GIVING THIS CONSENT THE COMMISSION DOES NOT TAKE ANY RESPONSIBILITY FOR THE FINANCIAL SOUNDNESS OF THE FUND, ANY OF ITS SCHEMES OR THE ISSUE PRICE OF ITS UNIT OR FOR THE CORRECTNESS OF ANY OF THE STATEMENTS MADE OR OPINION EXPRESSED WITH REGARD TO THEM, RESPONSIBILITY FOR WHICH LIES WITH THE ASSET MANAGER, TRUSTEE, SPONSOR, CUSTODIAN AND/OR AUDITOR.

IT IS, HOWEVER, THE SECURITIES AND EXCHANGE COMMISSION’S RESPONSIBILITY TO ENSURE THAT FULL AND FAIR DISCLOSURES ARE MADE IN THE PROSPECTUS IN TERMS OF THE MUTUAL FUND RULES, 2001, SO THAT THE INVESTORS CAN MAKE INFORMED INVESTMENT DECISIONS.”

1.3 Listing of Fund

Listing is not needed for an open-end fund, as it will not be traded on the bourses. Unit certificates will always be available for sale and re-purchase except Thursday & book closure period at the head office of the Asset Management Company and designated sale agents. The Asset Management Company shall disclose sale and re-purchase prices of unit as per rule.

1.4 Documents available for inspection

- (1) Copy of this prospectus will be available with the Members of the Stock Exchanges, Offices of authorized sales agents and at the head office of the ICB Asset Management Company Ltd.
- (2) Copy of the Trust Deed and Investment Management Agreement will be available for public inspection during business hours at the head office of the Asset Manager of the Fund.

1.5 Conditions under Section 2CC of the Securities and Exchange Ordinance, 1969

- (1) The Fund shall not account for any upward revaluation of its assets creating reserve without clearance from the Securities and Exchange Commission;
- (2) The fund shall not be involved in option trading, short selling or carry forward transactions;
- (3) Unit certificates shall be issued at the cost of the Fund at par value of Tk. 100.00 each within 90 (ninety) days from the date of sale of such units.
- (4) Money receipt issued at the time of sale of units will be treated as allotment letter, which shall not be redeemable/ transferable.
- (5) The annual report of the Fund /or its abridged version will be published within 45 (forty-five) days of the closure of each accounting year of the Fund;
- (6) An annual report and details of investment and savings of the Fund shall be submitted to the Commission, Trustee and Custodian of the Fund within 90 (ninety) days from the closure of the accounts;
- (7) Half-yearly accounts/financial results of the Fund will be published in at least one English and another Bangla National daily newspapers within thirty days from end of the period;
- (8) Dividend shall be paid within 30 (thirty) days of its declaration, and a report shall be submitted to SEC, Trustee and Custodian within 7 days of dividend distribution;
- (9) Net Asset Value (NAV) of the fund shall be calculated and disclosed publicly at least once in every 10 days.
- (10) After initial public subscription, the sale and repurchase/surrender price of units will be determined by the Asset Management Company. NAV calculated on a date shall form the repurchase price of units by rounding up the amount and shall be effective up to next calculation of NAV of the Fund. Difference between sale and repurchase price shall not be over 5% of the face value of the unit.
- (11) SEC may appoint auditors for special audit/investigation on the affairs of the Fund, if it so desires;
- (12) The Fund shall maintain separate bank account(s) to keep the sale proceeds of units and to meet up day-to-day transaction including payment against Repurchase of units. All transactions of the account shall be made through banking channel and shall be properly documented;
- (13) The prospectus/abridged version of the prospectus shall be published in one widely circulated Bengali national daily newspaper. Provided that information relating to publication of prospectus be published in 2 national daily newspapers (Bengali and English);

- (14) If abridged version of the prospectus is published in the newspaper, complete prospectus shall be made available to the applicants;
- (15) If the Fund Manager fails to collect the minimum 60% of the initial target amount under section 48 of Securities and Commission (Mutual Fund) Rules, 2001, will refund the subscription money within 30 days without any deduction. In case of failure, the Fund Manager will refund the same with an interest @ 18 per cent per annum from its own account within the next month;
- (16) On achievement of 60% of the initial target amount, the fund is allowed to commence investment activities of the fund with permission of the Trustee.
- (17) The size of the fund will be increased from time to time by the AMC subject to approval of the Trustee and with intimation to the Commission.
- (18) Unit Certificates for 1/10th of the Sponsors contribution shall be subject to a lock-in for the life of the Fund;
- (19) A Jumbo Certificate amounting Tk. 10,00,000.00 (1/10th of 10%) will be issued in favour of the Sponsor. The said certificate shall be in the custody of Trustee. No splitting of the certificate shall be made without prior approval of the Commission;

General Information

- (i) This prospectus has been prepared by the ICB Asset Management Company Limited based on the Trust Deed executed between the trustee & sponsor of the Fund which is approved by the Commission and available publicly. The information contained herein is true and correct in all material aspects and that there is no other material facts, the omission of which, would make any statement herein misleading.
- (ii) No person is authorized to give any information to make any representation not contained in this prospectus and if given or made, any such information or representation must not be relied upon as having been authorized by the ICB Asset Management Company Ltd.
- (iii) The issue as contemplated in this document is made in Bangladesh and is subject to the exclusive jurisdiction of the court of Bangladesh. Forwarding this prospectus to any person residing outside Bangladesh in no way implies that the issue is made in accordance with the laws of that country or is subject to the jurisdiction of the laws of that country.

1.6 Sale and Repurchase of Units

Sale and Repurchase of Units of ICB AMCL UNIT FUND Certificates will commence at the counter of ICB Asset Management Company's Head Office, ICB Branch Offices and designated Bank Branches at the opening of banking business hours on 21 June, 2003 and will continue until winding up of the Fund.

1.7 Declarations

Declarations about the responsibility of the Sponsor

The sponsor whose name appears in this prospectus, accept full responsibility for the authenticity and accuracy of the information contained in this prospectus and other documents regarding the Fund. To the best of the knowledge and belief of the sponsor, who has taken all reasonable care to ensure that all conditions and requirements concerning this public issue and prospectus have been met and there is no other information or document, the omission of which may make any information or statements therein misleading.

The sponsor also confirms that full and fair disclosure has been made in this prospectus to enable the investors to make an informed decision for investment.

Sd/-

(Md. Jahangir Miah)

Chief Executive Officer

ICB Capital Management Ltd.

Declaration about the responsibility of the Asset Manager

This prospectus has been prepared by us based on the Trust Deed, other related agreement and examination of other documents as relevant for adequate disclosure. We also confirm that:

- (i) the prospectus is in conformity with the documents, materials and papers related to the issue;
- (ii) all the legal requirements of the issue have been duly fulfilled; and
- (iii) the disclosures made are true, fair and adequate for investment decision. An investor who is not interested to take a moderate degree of risk need not buy as risk factor is associated with the investment under the Fund.

Sd/-

(Karabi Mujib)

Chief Executive Officer

ICB Asset Management Company Ltd.

Declaration about the responsibility of the Trustee

We, as Trustee of the ICB AMCL Unit Fund, accept the responsibility and confirm that we shall:

- i) be the guardian of the Fund, held in trust for the benefit of the unit holders in accordance with the Rules & Trust Deed;
- ii) always act in the interest of the unit holders;
- iii) take all reasonable care to ensure that the Fund floated and managed by the Asset Management Company are in accordance with the Trust Deed and the Rules;
- iv) make such disclosures by the Asset Management Company to the investors as are essential in order to keep them informed about any information, which may have any bearing on their investments; and
- v) take such remedial steps as are necessary to rectify the situation where they have reason to believe that the conduct of business of the Fund is not in conformity with the relevant Rules.

Sd/-

(Md. Ziaul Haque Khondker)

Managing Director

Investment Corporation of Bangladesh

Declaration about the responsibility of the Custodian

We, as Custodian of the ICB AMCL Unit Fund accept the responsibility and confirm that we shall:

- i) keep all the securities in safe custody and shall provide the highest security for the assets of the Fund; and
- ii) preserve necessary documents and record so as to ascertain movement of assets of the Fund as per Rules.

Sd/

(Md. Ziaul Haque Khondker)

Managing Director

Investment Corporation of Bangladesh

CHAPTER-2

2.1 Background of initiating an open end Mutual Fund

The Investment Corporation of Bangladesh (ICB) was established on October, 1976, to encourage and broaden the base of investment, to develop the capital market, mobilize savings, promote and establish subsidiaries for business development and to provide matters ancillary thereto. Over the years, the activities of ICB have grown manifold, particularly Mutual Funds' operations. ICB is the harbinger of mutual funds in the country. Out of country's ten closed-end Mutual Funds ICB manages eight of them. ICB also manages the country's only open-end fund worth about Tk. 500.00 crore.

Over the years, ICB provided attractive dividend in all these funds. Having long and proven experience ICB has been able to gather investors' confidence in the capital market of Bangladesh.

Recently, as part of restructuring and strengthening program, three subsidiaries have been created under ICB to carry out the merchant banking, mutual funds and stock brokerage activities. With the operationalization of these subsidiaries, ICB shall not undertake any new business. The creation of these subsidiaries is an important event in the annals of ICB which shall pave the way of successfully achieving its objectives for creation of vibrant capital market in the country.

ICB launched an open end mutual fund named ICB UNIT FUND in April, 1981. Through this Fund, small and medium investors could get the opportunity to invest their savings in a balanced & relatively low risk portfolio. After being promulgation of gazette notification to make ICB Asset Management Company Ltd. operational, sale of unit certificates has to be stopped. So, small & medium savers/investors of the country will be missing their long years known and trusted avenue of investment i. e. the ICB UNIT FUND. Moreover, some of the Government savings instruments/schemes have been closed from the very beginning of the FY 2002-03. So, the situation demands a new avenue of investment, which may be met by launching an open end Mutual Fund which will be trusted as well as profitable and reliable to the investors.

Keeping in view the situation, ICB Capital Management Ltd. comes forward with the proposal to act as Sponsor of an open end Mutual Fund. ICB itself will be the Trustee and Custodian of the Fund whereas ICB Asset Management Company Ltd. will act as the Fund Manager of the said open end Mutual Fund.

2.2 Present condition of the capital market regarding formation of an open end mutual fund

The capital market of Bangladesh witnessed the biggest ever boom in its life time during 1996 which continued till October, 1996. Large number of investors entered the capital market. The new issues multiplied and speculative fever gripped the market. Trading volume rose sharply and index reached 3648 points. Price Earning Ratio soared and shares were traded at 80 times. In November, 1996, the inevitable happened and the market crashed. Now, the drama is over and the market is passing through a process of consolidation. Fundamentals and rationalities have replaced speculations and rumours. Regulations have become more comprehensive. Capital market of Bangladesh is now poised to achieve higher degree of maturity.

At present, Bangladesh capital market is very attractive in terms of value indicators like Price Earning Ratio which is at the historical low (5.90) and Yield (8.46 percent) which is relatively very high in this region. The size of the market in terms of market capitalization (Tk. 64.56 billion) and number of listed issue (260) is relatively small. In general, there is scarcity of floating shares and market capitalization constitutes only 2.97 percent of GDP. Market for corporate debt instruments also remained small and underdeveloped. Market is dominated by the retailers in the absence of foreign players and local institutional investors. Investment Corporation of Bangladesh is the pioneer local financial institution that operates in the stock market. It manages eight listed closed-end funds & one open-end fund and its own portfolio listed in both the exchanges. It is the major institutional player who plays a vital role in bringing market transparency and stability.

In the recent past lot of measures have been taken by SEC. Continuous reforms are also taking place in the capital market. Now, investment in the capital market is less risky due to relatively moderate inflation rate and higher corporate earnings. Prices of stocks, are relatively low now and are persisting for a long time. Even then investors do not feel comfortable to put their savings in the capital market particularly in the secondary market. To restore the investors confidence, institutions should come forward with their proposal. It is the time to buy stocks and the time is very good to establish and develop mutual funds in the private sector.

2.3 Advantages in investing in ICB AMCL Unit Fund

Generally investment in mutual funds enjoys the following advantages compared to investment made directly in other securities of the capital market. Investors of this mutual fund will be able to enjoy the following advantages.

- (i) Due to diversified portfolio, mutual fund helps in lowering investment risk of small investors.
- (ii) Diversified portfolio of the fund help the small investor access to the whole market which is difficult at individual level.
- (iii) By channelizing small investors saving, mutual funds add liquidity to the market.
- (iv) As funds are professionally managed, investors are relieved from the emotional stress associated with day-to-day management of individual investment portfolio.
- (v) The investors save a great deal in transaction cost as he/she has access to a larger number of securities by purchasing a single unit of mutual fund.
- (vi) Only the Mutual Fund operate simultaneously both at the demand as well as the supply side of the market.
- (vii) Expertise in stock selection and timing is made available to investors by generating higher return to them.
- (viii) Investment in mutual funds may relief investors from various rules and regulations applicable to individual investment parameters.
- (ix) Mutual Funds help investors to liquidate their fund out of the investment.
- (x) It is the most strictly regulated investment vehicles. The laws governing mutual funds require exhaustive disclosure to the regulator and general public.

Chapter -3

The Fund

3.1 Formation of the Fund

The Trust Deed of the Fund was registered on 18th May, 2003 under the Trust Act, 1882 and Registration Act, 1908.

The Fund was registered by the SEC on 03 June, 2003 under the Securities and Exchange Commission (Mutual Fund) Rules, 2001.

3.2 Life of the Fund

The Fund will be an open-end mutual fund with a perpetual life established to broaden the base of investment and develop the capital market. Both institutional and individual investors are eligible to invest in this Fund. The initial target size of the Fund will be of Tk. 10.00 crore divided into 10,00,000 units of Tk. 100.00 each. Size of the fund will be increased from time to time by the Asset Manager subject to approval of the Trustee and with due intimation to the SEC. Income of the Fund will be exempted from tax and investment in this Fund may enjoy tax rebate facilities as per prevailing law.

3.3 Face Value & Denomination

Face value of each unit will be Tk. 100.00. Unit holders of the Fund shall be issued with certificates by the Asset Management Company at the cost of the Fund in any denomination of 1, 5, 10, 20, 50, 100, 250, 500, 1000, & 5000 units at par value of Tk. 100.00 each.

3.4 Some Important Policies Regarding Investment and Operation of the Fund

- (1) Money to be collected under the Fund shall be invested in encashable/transferable securities whether in capital market or money market, privately placed debentures, preferential shares or securitized debts.
- (2) The Fund shall invest only in approved securities.
- (3) Not less than 75 % of the total assets of the fund will be invested in capital market instruments out of which at least 50 per cent will be invested in listed securities.
- (4) Not more than 25 % of the total assets of the fund will be invested in Fixed Income Securities (FIS).
- (5) Not more than 15 per cent of the total assets of the Fund will be invested in Pre-IPO's at one time.
- (6) The Fund shall get the securities purchased or transferred in the name of the unit Fund.

- (7) Only the AMC will make the investment decisions and place orders for securities to be purchased or sold by the Fund.
- (8) AMC will choose broker(s) for the purchase and sale of securities for the Fund's portfolio.
- (9) Physical settlement of transactions shall be executed through the custodian of the Fund.
- (10) Settlement of transaction will take place as per the customs and practice of the stock exchanges in the country.

3.5 Investment Restrictions

In making investment decision the following restrictions should be taken due consideration:

- (i) The Fund shall not buy its own unit;
- (ii) The Fund shall not invest more than 10% of its total assets in any one particular company's shares/debentures.
- (iii) The Fund shall not invest more than 15% of any company's paid-up capital.
- (iv) The Fund shall not invest more than 20% of the fund in shares, debentures or other securities of a single company or group.
- (v) The Fund shall not invest more than 25% of its total assets in shares, debentures or other securities in any one industry.
- (vi) The Fund shall not involve in option trading or short selling or carry forward transactions.
- (vii) The Fund shall not invest in or lend to another scheme under the same Asset Management Company.
- (viii) The Fund shall not acquire any asset out of the Trust property, which involves the assumption of any liability that is unlimited or shall result in encumbrance of the Trust property in any way.
- (ix) The Fund or the AMC on behalf of the Fund shall not give or guarantee term loans for any purpose or take up any activity in contravention of the Rules.

3.6 Limitation of Expenses

- (a) The initial issue expenses of the scheme shall not exceed 5% of the fund raised under the scheme and will be amortized within 7 years on a straight-line method.
- (b) The total expenses charged to the Fund, except the amortization of initial issue expenses and including transaction cost in the form of stock brokerage against buy & sale of securities forming a part of acquisition or disposal cost of such securities, transaction fees payable to the Custodian against acquisition or disposal of securities,

listing fees payable to the stock exchanges, the annual registration fees payable to the Commission, audit fees, cost for publication of reports & periodicals, bank charge, etc, shall not exceed 3% of the weekly average net asset outstanding during any accounting year or as may be determined by the Rules.

3.7 Valuation Policy

The Fund intends to determine its NAV per unit on the last business day of each week (at least once in every 10 days) by dividing the value of the net assets of the Fund (the value of total assets less total liabilities as per Rules 60 of the Mutual Fund Rules, 2001) by the total number of units outstanding. As per section 58 of Securities and Exchange Commission (Mutual Fund) Rules, 2001, valuation policy of investment of the Fund needs to be approved earlier by SEC. Valuation criterion so far approved by the Commission in the Trust Deed is as follows:

- (a) For listed securities, the average quoted market price on the stock exchanges on the date of valuation shall form the basis of any calculation of Net Asset Value of such securities in the portfolio of the Fund.
- (b) 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 30 days, to the valuing date will be taken into account.
- (c) When the securities were not traded either at DSE or CSE for a period for over 30 days, the Fund shall follow the method approved by the Commission for valuation of the non-traded investment and the Trustee shall periodically review value of such investment.
- (d) The valuation of non- traded securities will be made with their reasonable value by the AMC and approved by the Trustee and commented upon by the auditors in the Annual Report of the Unit Fund but shall not be more than the intrinsic value of the securities.
- (e) The valuation of non-listed securities will be made by the AMC with their reasonable value and approved by the Trustee and commented upon by the Auditors in the Annual Report of the Fund.
- (f) 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.
- (g) AMC and Trustee will value the non-listed securities at least after every three months.
- (h) For securitized debts, debentures, margin or fixed deposits, the accrued interest on such instruments on the date of valuation shall be taken into account in any calculation of Net Asset Value of such securities in the portfolio of the Fund.
- (i) 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 formula to derive NAV per unit.

$$\text{Total NAV} = V_A - L_T$$

$$\text{NAV per unit} = \frac{\text{Total NAV}}{\text{No. of outstanding units}}$$

V_A = Value of Total Assets of the Fund as on date.

L_T = Total liabilities of the Fund as on date.

V_A = Value of all securities in vault + Value of all securities placed in lien + Cash in hand and at 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 amortized as on date + Printing, publication and stationery expenses amortized as on date.

L_T = Value of all securities payable + Payable against purchase of investment + Payable as brokerage and custodial charges + All other payable related to printing, publication and stationery + Accrued deferred expenses with regard to management fee, trustee fee, annual fee, audit fee and safe keeping fee.

3.8 Price fixation Policy and Sale & Re-purchase Procedure

After initial public subscription, the sale and repurchase/surrender price of units will be determined by the Asset Management Company. NAV calculated on a date shall form the repurchase price of units by rounding up the amount and shall be effective up to next calculation of NAV of the Fund. Difference between sale and repurchase price shall primarily be Tk. 3.00, which may be changed in future, but not be over 5% of the face value of the unit.

Units of the Fund could be purchased from the counter of the AMC, ICB Branch Offices and designated Bank branches by submitting properly filled in prescribed unit sale form along with necessary payment for the units to be purchased at the prevailing sale price. Money receipt issued at the time of sale will be treated as allotment letter. Certificate will be issued within 90 days from the date of sale.

Unit certificates could be surrendered at counter of the AMC and designated Bank branches by submitting properly filled in prescribed unit surrender form along with unit certificates to be surrendered at the prevailing surrender price. Payment will be made on the same or next day through A/C Payee cheque.

3.9 Redemption/Winding up Policy

3.9.1 Procedure of Winding up

- (a) If the total number of outstanding units held by the unit holders after repurchase at any point of time is less than 25% of the actual units issued, the scheme will subject to be wound up;
- (b) The Fund may also be wound up on the happening of any event, which, in the opinion of the Trustee in consultation with the Commission, requires the scheme to be wound up;
- (c) The Fund may also be wound up if the Commission so directs in the interest of the unit-holders;
- (d) The Fund may also be wound up if 75% of the unit holders of the scheme pass a resolution that the Fund should be wound up;
- (e) Where the Fund is to be wound up in pursuance to the above, the Trustee and the Asset Management Company shall give separate notice of the circumstances leading to the winding up of the scheme to the Commission and the Stock Exchanges and if winding up is permitted by the Commission, shall publish in two daily newspapers having circulation all over Bangladesh and also in a vernacular newspaper circulating at the place where the Fund is established.

3.9.2 Manner of Winding up

- (a) The Trustee shall call a meeting of the unit holders to consider and pass necessary resolutions by three-fourth majority of the unit holders present and voting at the meeting for authorizing the Trustee to take steps for winding up of the scheme. If it fails to have three-fourth majority mandate, the Commission shall have the power to supercede the mandate if situation demands such.
- (b) The Trustee shall dispose off the assets of the Fund in the best interest of the unit holders, provided that the proceeds of sale made in pursuance of the Rules, shall in the first instance be utilized towards discharge of such liabilities as are properly due under the scheme and after making appropriate provision for meeting the expenses connected with such winding up, the balance shall be paid to the unit holders in proportion to their respective interest in the assets of the scheme as on the date when the decision for winding up was taken.
- (c) Within thirty days from the completion of the winding up, the Trustee shall forward to the Commission and the unit holders 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 unit holders and a certificate from the auditors of the Fund.

3.9.3 Effect of Winding up

- (j) On and from the date of the notice of the winding up of the Fund the Trustee or the Asset Management Company as the case may be, shall
 - a. Cease to carry on any business activities of the Scheme;
 - b. Cease to create and cancel units of the scheme;
 - c. Cease to issue and redeem units of the scheme.

3.10 Investment Management

ICB AMCL shall conduct the day-to-day management of the Fund's portfolio as the Asset Management Company subject to the provisions laid down in the Mutual Fund Rules, 2001 and trust deed or any general directions given by the trustee and / or the Commission.

However, ICB AMCL will have discretionary authority over the Fund's Portfolio about investment decisions.

3.11 Dividend Policy

- (1) The accounting year of the Fund shall be July 01 to June 30 and the first year-end shall be on June 30, 2004.
- (2) The Fund shall distribute minimum 80 percent of the annual net income of the Fund as dividend at the end of each accounting period after making provisions for bad and doubtful investments. The Fund shall create a Dividend Equalization Reserve by suitable appropriation from the income of the Fund.
- (3) Before declaration of dividend, the Asset Management Company shall make a provision in consultation with the auditors if market value of investments goes beyond the acquisition cost and the method of calculation of this provision will be incorporated in the notes of accounts.
- (4) Surpluses arising simply from the valuation of investments shall not be available for dividend.
- (5) Dividend warrants will be dispatched at the expense of the fund within 30 days from the declaration of the dividends.
- (6) Before registration for transfer of ownership, a transferee shall not possess the right to any dividend declared.
- (7) There will be a Cumulative Investment Plan (CIP) scheme in this Unit Fund. Under this scheme a unit holder instead of receiving dividend may reinvest such dividend income accrued for purchasing Unit at a concession rate. In such case, Units will be issued at Tk. 1.00 discount from the opening price of that financial year.

CHAPTER-4

RISK FACTORS

Investment in securities market always bears some risks. Investment in this Fund also involves certain risk factors. The investors should carefully consider the following risks in addition to other information contained in the prospectus in evaluating the offer and also for taking decision whether to invest or not.

- (i) The performance of the Fund is directly related with the macro economic situation particularly the capital market of Bangladesh.
- (ii) Since the capital market of Bangladesh is highly volatile, there is no assurance of achieving the stated objectives of the Fund.
- (iii) Due to small number of listed securities in both the stock exchanges, it may be difficult to invest the Funds assets in a widely diversified portfolio as and when required to do so.
- (iv) Due to absence of secondary debenture market in Bangladesh, it would be difficult for the Fund Manager to swap between asset classes if and when required.
- (v) Limited money market instruments narrowed the opportunity of short term or temporary investments of the Fund.
- (vi) Stock market trends show that price of almost all the listed securities move in unpredictable direction which may affect the value of the Fund. Moreover, there is no guarantee that the market price of shares of the Fund will fully reflect their underlying net asset values.
- (vii) If the companies fail to provide expected dividend, this may affect the return of the Fund.
- (viii) For investing in Pre-IPO Placement securities i.e. in unlisted equity securities by the Fund may involve liquidity risk.
- (ix) Uncertainties like political and social instability may affect the value of the Funds Assets.
- (x) Adverse natural climatic condition may hamper the performance of the Fund.

Expected Market performance of the Fund

- (i) As the capital market indices are low now, the Fund should be able to construct portfolio at a relatively cheaper cost base.
- (ii) It is expected that demand of the unit certificates will be increasing due to attractive return on the outstanding units.
- (iii) Image of ICB, being the holding company of the ICB Asset Management Company and the trustee of the Fund for successful marketing of eight close-end and one open-end mutual fund may motivate investors to invest in this Fund.
- (iv) Due to tax incentives and some other distinct advantages including lien, ready liquidation facilities, the fund may attract the investors for investment in unit fund.

Who to invest and How much to Invest

Persons who do not have tolerance of bearing risk and know nothing about the functioning of the capital market need not apply for the units of the Fund. Considering other factors like the investment opportunities available in the market, return expectation, income level and consumption pattern, one may put 1/3 of his/her total portfolio into the Fund.

CHAPTER-5

FORMATION, MANAGEMENT AND ADMINISTRATION

5.1 *Sponsor of the Fund*

ICB Capital Management Ltd. (ICML), a subsidiary of ICB will be the sponsor of the Fund which was created with an authorised capital of Tk. 100.00 crore and a paid-up capital of Tk. 6.00 crore as part of the restructuring program of ICB under Capital Market Development Program (CMDP) initiated by the Government of Bangladesh (GOB) and the Asian Development Bank (ADB). The company was incorporated as a public Ltd. company under the Companies Act, 1994 with the Registrar of Joint Stock Companies and Firms on 05 December, 2000. Registration of the company with the SEC was obtained on 16 October, 2001 and the gazette notification of Govt. of Bangladesh has been issued with a view to carry out the merchant banking activities. Although it is a newly created company, it has enormous scope of expansion and growth in the field of merchant banking as ICB shall not undertake any new business in this area rather these functions will be carried out by this company.

The company is being managed by high calibered professional people mostly taken from ICB . An independent board comprising people of high repute from private and public sectors provides guidance in framing objectives & policies of the company. Besides, ICB as holding company, also supervise and control the performance of the company.

5.2 *Trustee & Custodian of the Fund*

In order for maximum trust and confidence of the investors, supervisory bodies and persons concerned towards the fund, the Investment Corporation of Bangladesh (ICB) itself will act as the trustee & custodian of the Fund.

The Investment Corporation of Bangladesh (ICB) was established on 1 October 1976, under “The Investment Corporation of Bangladesh” Ordinance, 1976 (No. XL of 1976) with a view to encouraging and broadening the base of investment, develop the capital market, mobilize savings, promote and establish subsidiaries for business development & provide for matters ancillary thereto. Over the years, the activities of ICB have grown manifold, particularly in Merchant Banking, Mutual Funds operations and stock brokerage activities. ICB is the biggest investment bank and the harbinger of mutual funds in the country. Out of country’s ten (10) close-end mutual funds, ICB manages eight funds. ICB also manages the only open-end fund in the country. It was also the single largest stockbroker and dealer in Dhaka Stock Exchange Ltd. and Chittagong Stock Exchange Ltd. During FY 2000-2001, ICB alone traded securities worth of Tk. 560.33 crore on behalf of its clients, including Government, public and private institutions, individuals and in its own portfolios.

ICB has acted as trustee to debentures amounting TK.142.45 crore in aggregate out of total TK.292.82 crore publicly traded debentures. ICB also acted as underwriter/ manager to the issue to more than 370 companies of which 101 companies are publicly traded companies. Besides portfolios of over 51,000 investors (margin accounts), institutional portfolios including mutual funds and unit fund were also being managed by ICB. The corporation has long and proven experience in advisory function, particularly in buying and selling of shares, corporate re-structuring and engineering, off loading of govt. shares and hosts of other merchant banking related activities for the benefit of its clients. ICB has been playing a unique role in the development of country’s capital market.

5.3 *Investment Manager of the Fund*

ICB Asset Management Company Ltd. (ICB AMCL) a subsidiary of ICB will act as the investment manager of the Fund. ICB Asset Management Company Ltd. (ICB AMCL) was created as part of the restructuring program of ICB under Capital Market Development Program (CMDP) initiated by the Government of Bangladesh and ADB. The company was incorporated as a public limited company with an authorised capital of TK. 100.00 crore and a paid-up capital of Tk. 5.00 crore under the Companies Act, 1994 with the Registrar of Joint Stock Companies & Firms on 5 December, 2000. Registration of the company with the SEC was obtained on 14 October, 2001. Necessary Government Gazette Notification has also been obtained on 1st July, 2002 to carry out the Mutual Fund operations by the company.

As per relevant provision of the ICB Ordinance, ICB shall hold all or majority shares of the company and may review business objectives, supervise and control its performance. The CEO and other key personnel have been deputed to the company from ICB. An independent Board consisting 50 per cent directors from ICB and the rest from private sector, has been created.

Brief profiles of the directors and key personnel of the company are as under:

Mr. Md. Fayekuzzaman, M.Com in Management and General Manager of ICB is the Chairman of ICB Asset Management Company Ltd. He has about 22 years of service experience out of which eighteen years in ICB and four years in BMDC in counselling, training, investment banking, portfolio management and other development banking activities. He has completed different training programs in home and abroad.

Mrs. Karabi Mujib, M.A. in Economics and MBA in Finance is the Chief Executive Officer (CEO) of ICB Asset Management Company Ltd. She has completed 23 years of service in the field of investment banking. Out of total services, for about 5 years she was directly associated with the management of ICB portfolio and other portfolios managed by ICB. She has completed several training programs in home and abroad.

Mr. Khondoker Md. Iqbal, M. Com. in Accounting, Deputy General Manager of ICB is one of the Directors of the Company. He has about 22 years of service experience in ICB. During this period he was associated with the portfolio management, project appraisal, fund management and accounts. He has completed different training programs in home and abroad.

Dr. Mokbul Ahmed Khan, an M.A. in Economics from Dhaka University and Ph.D. in Economics from Moscow is a director of the company. He has obtained post-Doctoral Fellowship from New Zealand, Post Graduate Diploma in Personnel Management from BIBM. He has completed different training in home and abroad. He is the secretary general of BPMI and associated in consultancy business, Government services for about 25 years.

Mrs. Nilufer Ahmed Karim, a director of the Company, is an M.A. in Economics. She was a visiting scholar & Honorary Fellow of Department of Commerce and Business Administration of University of Illinois, U.S.A. She has completed different training programs in home and abroad.

Mr. Md. Nurul Alam, a director of the company is an MBA in Finance. He has obtained various professional training from home and abroad. He was a Executive Director of Bangladesh Bank and retired from the job few years back. Presently he is the president of IBA Alumni Association.

Senior executives of the company, deputed from ICB, are highly experienced in the relevant fields with excellent academic background in Accounting, Management, Marketing, Economics & Computer Science. Most of them have undergone local training, particularly in capital market related subjects.

5.4 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 reputed audit firm of the country. Subsequent auditors shall be appointed by the Trustee.

5.5 Fees and Expenses

1) The Fund will pay the fees of AMC, the Trustee and the Custodian together with any other fees, commissions and expenses as may arise from time to time. The Fund will bear its own costs and expenses incurred/accrued in connection with its formation, promotion, registration, public offering together with certain other costs and expenses incurred in its operation, including without limitation expenses, of legal & consulting service, auditing, other professional fees and expenses, brokerage, share/debenture registration expenses and fees due to the SEC. The Fund will also bear all the other incidental expenses including printing, publication and stationery relating to its smooth & fair operation.

ii) Keeping in mind, the initial fund size of Tk.100 million, ICB Asset Management Company Ltd. estimated the normal annual operating expenses of the Fund which will not exceed 3 per cent of the average NAV of the Fund. However, there may be variation in the actual operating expenses of the Fund. Major expenses of the Fund are detailed as follows:

(a) Issue and Formation Expenses

Issue and formation expenses are estimated to be not over 5 per cent of the initial target size i.e. Tk. 50,00,000.00. The expenses will be amortized within 7 years on a straight-line method. The estimated expenses for the issue and formation of the Fund are presented below:

1.	Legal expenses	1.75 percent
2.	Printing & Publication	1.75 percent
3.	Other expenses.	<u>1.50 percent</u>
	Total	5.00 per cent
		=====

(b) Management Fee

The Fund will pay a management fee to the Asset Management Company @ 2.50 percent per annum of the weekly average NAV upto Tk. 5.00 crore and @ 2.00 per cent per annum for additional amount of the weekly average NAV upto 25.00 crore over Tk. 5.00 crore and @ 1.50 percent per annum for additional amount of the weekly average NAV upto Tk 50.00 crore over 25.00 crore and @ 1.00 per cent per annum for additional amount of the weekly average NAV over Tk. 50.00 crore, accrued and payable quarterly.

(c) Trustee Fee

The trustee shall be paid an annual Trusteeship Fee @ 0.10% on the weekly average net asset value on semi-annual in advance basis, during the life of the fund.

(d) Custodian Fee

The Fund shall pay to the custodian a fee @ 0.10 per cent per annum for safe keeping of securities calculated on the average month end value of balance securities

(e) Fund Registration and Annual Fee

The Fund has paid Tk. 2,00,000.00 to the Securities & Exchange Commission (SEC) as registration fee. In addition, the Fund will have to pay @ 0.10 per cent of the Fund value or Tk. 50,000.00 whichever is higher as annual fee in terms of Securities & Exchange Commission (Mutual Fund) Rules, 2001.

(f) Audit Fee

The audit fee will be Tk. 10,000.00 for the first year. The Trustee shall appoint auditor with reasonable fee, where the incumbent auditor shall be eligible for re-appointment.

CHAPTER-6

Size of the Fund, Sale and Repurchase Price of Units, Tax Status and Rights of Unit Holders

6.1 *Size of Issue*

The initial target size of the scheme shall be Tk. 100,000,000.00 divided into 1,000,000 units of Tk. 100.00 each which may be increased from time to time by AMCL subject to approval of the Trustee with due intimation to the Commission till liquidation of the Fund.

The initial distribution of the funds holding shall be as follows:

Subscribers	No. of Units	Face Value(Taka)	Amount (Taka)	Remarks
Sponsor	1,00,000	100.00	1,00,00,000.00	Subscribed
General Investors	9,00,000	100.00	9,00,00,000.00	Yet to be subscribed
Total	10,00,000	100.00	10,00,00,000.00	

6.2 *Subscription from sponsor*

ICB Capital Management Ltd., the sponsor, has already subscribed Tk. 1,00,00,000.00 for 1,00,000 units of Tk. 100.00 each at par on May 18, 2003, the effective date.

6.3 *Rights of the Unit holders*

- (i) **Dividend:** All the unit holders have equal but proportionate right in respect of dividend.
- (ii) **Exemption from Tax:** Investment in the Fund by an individual assesses will qualify for investment tax credit under Section 44(2) of the Income tax Ordinance, 1984.
- (iii) **Transfer of Units:** Units of the Fund are transferable by way of inheritance/gift and/or by specific operation of law.
- (iv) **Re-purchase of Units:** Unit holders may surrender their units on all working days at the prevailing surrender price.
- (v) **Initial Price:** The initial sale price of each unit of the Fund will be fixed at Tk.100.00. Repurchase price of each unit of the Fund will be fixed after achieving the initial target amount or after closing of initial public subscription whichever is earlier.
- (vi) **Voting Rights:** All the unit holders shall have usual voting rights. Voting right can be exercised 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 meeting called by the trustee in the circumstances mentioned in the trust deed or SEC (Mutual Fund) Rules, 2001. In case of show of hands, every unit holder present in person or/and by proxy shall have only one vote and on a poll, every unit holder present in person and/or by a proxy shall have one vote for every unit of which he/she is the holder.

- (vii) The unit holders shall preserve only the beneficial interest in the trust properties pro rata basis of their ownership of the respective schemes.
- (viii) **Periodic Information:** All the unit holders of the Fund shall have the right to receive the Annual Report & Audited Accounts of the fund. Moreover, NAV of the Fund be informed to the unit holders on weekly basis through DSE/CSE and newspapers.
- (ix) **Sale and Repurchase Price:** After initial public subscription, the sale and repurchase/surrender price of units will be determined by the Asset Management Company. NAV calculated on a date shall form the repurchase price of units by rounding up the amount and shall be effective up to next calculation of NAV of the Fund. Difference between sale and repurchase price shall primarily be Tk. 3.00, which may be changed in future, but not be over 5% of the face value of the unit.
- (x) **Accounts and Information:** The Fund's financial year will be closed on 30th June every year and the first year-end will be June 30, 2004. Annual report or major head of Income & Expenditure A/C and Balance Sheet in line with schedule VI of the Securities and Exchange Commission (Mutual Fund) Rules, 2001 will be published within 45 (forty five) days from the closure of each accounting year. Furthermore, the NAV of the Fund, NAV per unit, any suspension or alteration of the calculation of NAV of the Fund will be published / notified to the DSE and CSE by the Asset Manager as per rule.

CHAPTER-7

7.1 Condition of Application

- (a) Units will be sold initially through registered office of ICB Asset Management Company Limited and all Branch Offices of Investment Corporation of Bangladesh (ICB) on all working days except Thursday & book closure. Subsequently scheduled banks will also be nominated to sale unit certificates of the Fund. The acceptance of any application shall be delayed until the realization of any cheque enclosed with it. As the clearance of cheques drawn on banks in towns other than that of the Issuing Office may take a long time, the applicants are advised to deposit a bank draft or a pay order in support of the application.
- (b) Application for units shall be made for minimum of 20(twenty) units.
- (c) Application should preferably be made on the prescribed printed forms. Application Form may be obtained from the registered office of the ICB AMCL, and other authorized offices/bank branches. The prospectus will be available at the issuing offices mentioned above.
- (d) Joint application from for more than two persons will not be accepted. In the case of joint application, each party must sign the application form. But all correspondence & transaction and dividend warrant will be made with the first applicant.
- (e) Application must contain full name of individuals or charitable institutions or provident fund trusts, but not in the name of minors or persons of unsound mind or any other person not eligible to contract.
- (f) All completed application forms together with the value of units to be purchased shall be lodged by the investors, other than NRBs, with any of the Issuing Offices.
- (g) The Non-resident Bangladeshies (NRBs) 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.
- (h) A NRB may purchase 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 units desired to purchase. The value of units to be purchased may be paid in Taka, US Dollar or UK Pound Sterling at the applicable rate of exchange.

APPLICATIONS NOT IN CONFORMITY WITH THE ABOVE REQUIREMENTS AND THE INSTRUCTIONS PRINTED ON THE APPLICATION FORM ARE LIABLE TO BE REJECTED.

READ TERMS & CONDITIONS ON REVERSE

(Issuing Office Stamp)

Signature of the Officers

All payments in connection with or arising out of the Units hereby applied for shall be payable in Bangladeshi Taka only including income distribution and/or repurchase price. I/We do hereby undertake that I/We and my/our heirs will not at any time or in any shape claim repatriation from Bangladesh of sale proceeds of these Units and income accrued thereon. I/We the undersigned do also hereby declare that the money which is being invested for the Purchase of ICB AMCL Unit certificate is not earned/collected directly or indirectly in illegal way.

2.

Stamp & Signature
(Issuing Office)

TERMS & CONDITIONS

1. Units will be sold through ICB AMCL Head Office, Authorized Bank Branches including ICB Branches on all working days except Thursday. The acceptance of any application shall be delayed until the realization of any cheque enclosed with it. As the clearance of cheques drawn on banks in towns other than that of the Issuing Office may take a long time, the applicants are advised to send a bank draft or a pay order.
2. Cheques, pay orders and bank drafts should be crossed and made payable to the Issuing Office concerned A/C. ICB AMCL Unit Fund.
3. Upon registration of a sale, Unit-holders will be issued with Unit Certificates. The certificates are available in denominations of 1,5,10,50,100, 250, 500, 1000 & 5000 Units. The fewest possible number of Certificates will be issued against each application.
4. Units will be registered in the name (s) of the applicant (s) Joint holders will be registered provided that Application Form is duly completed and signed by all joint holders. In case of the death of any of the joint holders, only the survivor shall be recognized as having any title to the Units.
5. Application (s) by Charitable Organization/Provident Fund Trust must be accompanied by the relevant documents authorizing investment in Units such as Memorandum and Article of the Company, Bye-Laws of the society, a Resolution by the Management Body and Power of Attorney in favor of the person (s) signing the Application (s).

SPECIAL INSTRUCTIONS :

6. If the dividends are to be collected through a Bank, please provide the Bank address and
Account No Bank Br.....

Address:.....
.....

7. Purchase of Units under Cumulative Investment Plan (CIP) in lieu of Cash dividend

8. Occupation may be classified as under :-

Yes	No
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- a. Civilian Govt./Salaried Non-Govt. Servants.
- b. Defence Personnel
- c. Professions-Legal, Medical and Engineering etc.
- d. Retired Personnel
- e. Businessmen/Agriculturists'
- f. House-Wives/Working Women
- g. Workers/Students
- h. Bangladeshi Residing Abroad/Foreign National
- i. Institution-Provident Fund/Non
Provident Fund Investment
- j. Miscellaneous.

Signature

Received Certificates for _____ Units
as mentioned overleaf

(Applicant/Authorised Agent)

*** Purchasers sending Application by post should leave this space blank for completion by the issuing Office on Sale Day subject to refund of unadjusted portion of the remittance.**

**** For occupation classification please see reverse.**

AUTHORISED SALES AGENTS

Investment Corporation of Bangladesh (ICB)

Local Office, Dhaka. Chittagong Branch, Ctg. Rajshahi Branch, Rajshahi, Bogra Branch, Bogra, Khulna Branch, Khulna Barisal Branch, Barisal, Sylhet Branch, Sylhet

