

# Diversified UNIT TRUST SCHEME Offering Circular

This product is a Collective Investment Scheme regulated under The Securities Act (as amended in 2013).





## **EFFECTIVE PERIOD**

This offering circular was registered on **MARCH 19, 2019** and is valid until **MARCH 18, 2020**. Once the Effective Period has expired this offering circular cannot be used as the basis for marketing the NCB Capital Markets Unit Trust Scheme. If you are in possession of an offering circular for which the Effective Period has expired, please return same to NCBCM and obtain a new offering circular.

*The Financial Services Commission does not pass upon the accuracy or adequacy of the information contained in the Offering Circular. Any representation to the contrary will be deemed by the FSC to be a false and misleading statement*

## **DISCLAIMER**

Unit Trust owns different types of investments depending on their investment objectives. The value of these investments may change from day to day, reflecting changes in interest rates, economic conditions and company news. As a result, the value of the scheme's units may go up or down and the value of your investment in the scheme may be more or less when you redeem it than when you purchased it. The full amount of your investment is not guaranteed.

Forward-looking statements herein are based upon reasonable assumptions and beliefs honestly held at the time of issue of this Offering Circular and must be considered within the context of the economic and political uncertainties inherent in Jamaica. Neither the Manager nor the Trustee gives any warranty nor makes any representation that any projection and/or outcome contemplated by any forward-looking statement will in

fact be realised or achieved.

It is strongly recommended that, before you make any decision with regard to the offer contained herein, you thoroughly review the Offering Circular and any other offering materials provided and discuss same with your legal and tax advisors. The Manager is neither a legal nor tax advisor and gives no advice/recommendation in this regard.

Neither this Unit Trust scheme nor the portfolios from which it is comprised is insured by the Jamaica Deposit Insurance Corporation (JDIC). The JDIC provides protection for depositors in commercial banks, merchant banks, credit unions and building societies which are deposit-taking institutions. NCB Capital Markets Limited is not a deposit-taking institution.

## GLOSSARY OF TERMS

Business Day	A day on which commercial banks are usually open for normal banking business in Jamaica.
Dealing Day	Any Business Day following the completion of the Initial Issue.
FSC	Financial Services Commission of Jamaica.
GOJ	Government of Jamaica
JMD or J\$	Jamaican Dollars - the lawful currency of Jamaica.
USD or US\$	United States Dollars - the lawful currency of the United States of America.
Manager	The person responsible for the business, operations and affairs of a Fund. In this Offering Circular, refers to NCB Capital Markets Limited.

## GLOSSARY OF TERMS

NCBCM	NCB Capital Markets Limited.
Portfolio	A segregated pool of assets; part of the Scheme, established by the Trustee pursuant to the Trust Deed for the benefit of Unit Holders of a particular class.
Scheme	The NCB Capital Markets Limited Unit Trust Scheme.
Trustee	The person appointed as Trustee of the Fund and in this Offering Circular refers to MF&G Asset Management Limited.
Units	Units of the Fund. Unit Holders share a Fund's income, expenses, and any gains or losses the Fund makes on its investments generally in proportion to the units they own.

## 1. NAME AND IDENTIFICATION OF SCHEME

The NCB Capital Markets Limited Unit Trust Scheme was constituted as a diversified unit trust scheme by a Trust Deed and was registered on August 1, 2012 in Kingston, Jamaica by the Financial Services Commission. The Trust Deed may be inspected at the offices of the Trustee; MF&G Asset Management Limited (MFGAM), at 21 East Street, Kingston or the offices of the Manager; NCB Capital Markets Limited at 32 Trafalgar Road, Kingston 10. Copies of the Trust Deed and/or any supplemental Deed or Deeds thereto will be supplied by the Manager to any person on application, at a charge of \$1,000.00 per copy or such other price per copy as the Manager may set.

## 2. TRUSTEE

The Trustee is MF&G Asset Management Limited, a company duly incorporated in Jamaica, whose office is situated at 21 East Street, Kingston. MFGAM was incorporated on April 30, 1992 and was duly licensed as a Securities Dealer on April 1st, 2003.

### **The Directors of MFGAM as at 12th day of February 2018 are:**

Mr. Norman Minott (Chairman)  
Donovan Cunningham  
Pamela Smith

### **3. INVESTMENT MANAGER & ADVISOR**

The Manager is NCB Capital Markets Limited (NCBCM), a wholly owned subsidiary of National Commercial Bank Jamaica Limited each of whose registered office is situated at:

The Atrium, 32 Trafalgar Road, Kingston 10, Jamaica. Incorporated on October 13, 2003, NCBCM is a licensed securities dealer and a member of the Jamaica Stock Exchange. The company also has primary dealer status from the Bank of Jamaica.

#### **The Directors of NCBCM are:**

Mr. Patrick Hylton  
Mr. Dennis Cohen  
Mr. Steven Gooden (CEO)  
Mrs. Yvonne Clarke  
Mr. Septimus "Bob" Blake  
Miss Shamena Khan  
Mr. Michael Ammar Jr.  
Dr. Cecil Batchelor  
Mr. Harry Smith  
Professor Alvin Wint

### **4. AUTHORISED AND PAID UP CAPITAL OF THE MANAGERS**

The authorized share capital of NCB Capital Markets Limited is 1,219,304,000 ordinary shares, 500,000,000 variable rate cumulative redeemable 'A' preference shares and USD 17,500,000 7% cumulative redeemable preference shares. The issued and fully paid up capital is \$1,221,115,000.

## 5. SERVICE PROVIDERS

### AUDITOR

PriceWaterhouseCoopers  
Scotiabank Centre  
Duke Street, Box 372  
Kingston, Jamaica

### COMMERCIAL BANK

National Commercial Bank Jamaica Limited  
1-7 Knutsford Blvd.  
Kingston 5

### ATTORNEYS-AT-LAW

Myers, Fletcher & Gordon  
21 East Street  
Kingston

### REGISTRAR

NCB Capital Markets Limited  
The Atrium  
32 Trafalgar Road  
Kingston 10

Application forms and copies of this Offering Circular are available at the offices of NCB Capital Markets Limited and their website, [www.ncbcapitalmarkets.com](http://www.ncbcapitalmarkets.com).

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<sup>1</sup> The Regulations made pursuant to the Securities Act (as amended 2013) state that a collective investment scheme shall not purchase a security or other assets of an issuer if more than 10 percent of the net assets of the scheme, taken at market value at the time of the transaction, would be invested in the securities of that issuer (subject to specified exceptions). Where a scheme has adhered to this requirement they are said to be diversified and they are required to make a statement to this effect in the Offering Circular.



## 6. PRICE QUOTATIONS & BUYING AND SELLING OF UNITS

### Price Quotations

The “ask” or “offer” or “issue” price and the “bid” or “purchase” or “realization” price are based on the current selling and buying prices of the investments in the portfolio. The ask price is the price at which the Manager will sell units to the members of the public. The bid price is the price at which the Manager will repurchase units from the unit holders. The bid and ask prices will be published in a morning newspaper every Wednesday and Friday of each week. The scheme will publish its offering documents, notices, financial reports and Net Asset Value on the website of NCB Capital Markets Limited ([www.ncbcapitalmarkets.com](http://www.ncbcapitalmarkets.com)).

On each trading day, a separate net asset value (NAV) is calculated for each portfolio and is determined by taking the fair value of its assets and subtracting the fair value of total liabilities of the portfolio in accordance with the accounting standards used in Jamaica. The resulting value of that portfolio is divided by the number of units in issue. The Net Asset Value of units in a portfolio is calculated after the close of business on each trading day.

Quoted equities are valued at the closing bid price on the principal stock exchange (The Jamaica Stock Exchange), or such other stock exchanges, as the Manager decides. Foreign currency-denominated assets are converted at the mid-point of the Bank of Jamaica’s weighted average selling and buying rates.

## Buying and Selling of Units

Units in the Portfolios are distributed through NCBCM's distribution channels and any other authorized securities dealers that may be appointed for that purpose by NCBCM from time to time. Original subscription/redemption forms bearing the signature of the intended Unit Holder (or their duly authorized agent) must be submitted to NCBCM for subscription/redemption of Units.

Orders for purchases (where investors buy Units from the Scheme) or for redemption of Units (where investors sell Units to the Scheme) must be received by NCBCM no later than 1:00 pm local time on a Trading Day (or such earlier time as may be specified by NCBCM) in order to be processed based on the NAV on that date. Otherwise, the order will be processed based on the applicable NAV per Unit on the next trading day.

Units will be sold at the ask price which is the NAV for that day, plus the applicable purchase charges. In the case of redemptions (i.e. repurchases by the Manager), units will be redeemed at the bid price on the presentation of a Realization Notice requesting redemption of units and NCBCM will seek to make payment within three (3) business days of the day on which the Units were redeemed, provided that the necessary documentation has been received.

The Manager may suspend the payment of any realization price for a period of up to three (3)

months from the date of receipt of a Realization Notice if in the Manager's determination it is prudent to suspend such a payment.

In the event that the purchase of units is made with a cheque, the Manager may require a minimum waiting period, comparable with that set by commercial banks in Jamaica, to allow the cheque to clear. If a cheque is dishonoured by the bank, the Manager reserves the right to cancel the unit holdings of the applicant after reasonable efforts have been made to secure the replacement of funds.

### **Minimum Investments, Fees & Charges, Holding Period**

Units may be bought or sold after the initial Issue of Units on any Dealing Day, subject to minimum holding periods. The initial minimum amounts of units that can be purchased are outlined in the following table. This minimum amount may be varied from time to time as the Manager may determine.

Thus under normal circumstances, applications cannot be made for less than the stated amounts in any portfolio.

	JMD Money Market Portfolio	JMD High Yield Portfolio	Caribbean Equity Portfolio	USD Money Market Portfolio	USD Bond Portfolio	USD Indexed Bond Portfolio
INITIAL INVESTMENT	J\$200,000	J\$200,000	J\$50,000	US\$2,000	US\$2,000	J\$200,000
SUBSEQUENT INVESTMENT	J\$10,000	J\$10,000	J\$5,000	US\$100	US\$100	J\$10,000

## Fees & Charges

The Manager will receive income based on:

- a preliminary charge not exceeding 8% of the bid price of units. The difference between the bid and the ask price of units represents the preliminary charge.
- a management fee not exceeding 2.5% per annum of the value of investments in the Portfolio. Periodic fees will be accrued daily and paid on a monthly basis.
- early redemption charge not exceeding 4% per annum of the value of the amount invested by the Unit Holder in the Portfolio.
- any applicable charges for exiting the fund.

For the time being, the preliminary charges and management fees at the date of registering of this Offering Circular are as outlined in the following table. The Management Fee is payable by the Scheme and will be accrued daily and paid on a monthly basis. Preliminary charges and early redemption charges shall be payable by unit holders.

Please note that the Manager has, within the limits prescribed in the Trust Deed, the discretion to change fee amounts set out in this section from time to time. At least one month's notice will be provided to unit holders prior to the implementation of any increase in fees.

## Fee Schedule

	JMD Money Market Portfolio	JMD High Yield Portfolio	Caribbean Equity Portfolio	USD Money Market Portfolio	USD Bond Portfolio	USD Indexed Bond Portfolio
PRELIMINARY CHARGE	0%	2%	4.00%	0%	2%	0%
MANAGEMENT FEE	1.75%	1.75%	1.75%	1.5%	1.75%	1.75%

In addition, a performance bonus shall be separately calculated on the value of investments in each Portfolio and accrued daily. At the end of each business day, if the rolling period return on any Portfolio exceeds the rolling period return on the applicable benchmark, the Manager will earn 20% of the return above the benchmark. The rolling period is based on the minimum holding period for each Portfolio. The total remuneration to the manager (that is, the management fee plus performance bonus) shall not exceed 2.5% per annum of the value of investments in the Portfolio. The benchmarks are as outlined in the table below.

### Holding Periods and Performance Benchmarks

The minimum holding period for units in each portfolio and their established benchmarks are as follows:

PORTFOLIO	HOLDING PERIOD	PERFORMANCE BENCHMARK
JMD MONEY MARKET PORTFOLIO	30 days	30 day T-Bill / BOJ CD
JMD HIGH YIELD PORTFOLIO	90 days	5 year GOJ Local bond JMD (Bloomberg)

PORTFOLIO	HOLDING PERIOD	PERFORMANCE BENCHMARK
CARIBBEAN EQUITY PORTFOLIO	30 days	JSE Select Index
USD MONEY MARKET PORTFOLIO	30 days	30 day USD Money Market rate (Bloomberg)
USD BOND FUND	90 days	JSE Jamaica Global Bond Index
USD INDEXED BOND PORTFOLIO	90 days	JSE Jamaica Global Bond Index + Devaluation

Please note that encashment before the end of the minimum holding period will attract an early redemption charge of 2.00% of the amount to be redeemed.

## 7. INVESTMENT POLICY & GENERAL RESTRICTIONS



### JMD MONEY MARKET PORTFOLIO

#### INVESTMENT OBJECTIVE

The fundamental investment objective of the JMD Money Market Portfolio is to earn the highest level of income consistent with capital preservation and liquidity by investing primarily in Jamaican dollar money market instruments.

#### WHO SHOULD INVEST IN THE PORTFOLIO

The JMD Money Market Portfolio is suitable for investors who are conservative and income-

oriented. It is the ideal place to “park” cash pending a longer term investment decision or for investors who are planning to hold funds for the short term. Investors who have low risk tolerance and for whom security of principal is their primary concern, should invest in this portfolio.

## **STRATEGY**

The Portfolio invests primarily in short term government and commercial paper, denominated in Jamaican dollars. It may also invest in non-Jamaican, dollar-denominated money market instruments including Commercial paper, investment grade and non-investment grade obligations of companies based in the Caribbean, US, UK and Canada, to generate higher yields on a total return basis subject to the constraints set out in the General Restrictions below.

The Portfolio may invest in medium to long-term debt securities to the extent that such securities provide a high income yield and/or are believed to be undervalued and offer the potential for capital appreciation in the short-term. The Portfolio may also invest in the stocks of listed companies with a high dividend yield.

In selecting debt securities denominated in various currencies, the Manager considers, among other factors, the effects of movements in the currency exchange rates on the values of such securities in a manner that will seek to maximize the Portfolio’s total Jamaican dollar return.



## **JMD HIGH YIELD PORTFOLIO**

### **INVESTMENT OBJECTIVE**

The fundamental investment objective of the portfolio is to generate a stable level of income and capital appreciation by investing in high yielding medium to long-term JMD-denominated sovereign and corporate debt instruments.

### **WHO SHOULD INVEST IN THE PORTFOLIO**

Investors who have a moderate to aggressive risk profile and are seeking capital appreciation should invest in this portfolio. Investors must be willing to accept moderate to high fluctuations in unit prices. The JMD High Yield portfolio is suitable for investors seeking a bond investment to diversify the risk of a portfolio containing stocks and/or money market investments. The portfolio is intended to be a medium to long-term investment.

### **STRATEGY**

The Portfolio invests primarily in medium to long-term fixed income investments given that such securities provide a high income yield and, when undervalued, can offer the potential for capital appreciation in the short term. The portfolio may also invest in preference shares and listed companies with a high dividend yield.

In selecting securities, the focus will be mainly on Jamaican dollar-denominated securities. However, investments in other currencies are permitted in so far as the Manager considers that currency



exchange rate movements may have a positive impact on the values of such securities in a manner that will seek to maximize the Portfolio's total Jamaican dollar return.

In selecting securities denominated in various currencies, the Manager considers, among other factors, the effects of movements in the currency exchange rates on the values of such securities in a manner that will seek to maximize the Portfolio's total Jamaican dollar return. Investments will only be made in such foreign currency instruments where relevant exemptions from foreign exchange restrictions have been granted.

The Portfolio may hold significant cash or cash-equivalent positions pending investment or when the Manager considers it desirable as a result of market conditions.

## **E Fund**

### **CARIBBEAN EQUITY PORTFOLIO INVESTMENT OBJECTIVE**

The Caribbean Equity Portfolio seeks long-term capital appreciation by investing primarily in equity securities subject to foreign exchange restrictions imposed by the laws of Jamaica. The portfolio employs a top-down approach to securities selection and offers a dynamic blend of growth and value investing styles.

## **WHO SHOULD INVEST IN THE PORTFOLIO**

Investors seeking a well-diversified portfolio of stocks to maximize long term growth of capital with moderate dividend income should invest in the NCBCM Caribbean Equity Portfolio. The Portfolio is intended to be a medium to long term investment. Investors with an aggressive risk profile would invest a greater percentage of their funds in this portfolio.

## **STRATEGY**

Subject to foreign exchange restrictions imposed by the laws of Jamaica, the Portfolio invests primarily in publicly-traded equity securities of companies domiciled in Jamaica, other Caribbean countries and internationally. Equity securities include common and preferred stock, convertible debt securities and rights to acquire such securities.

In seeking to achieve its Investment Objective, the Manager allocates the Portfolio's assets primarily on the basis of the anticipated performance of each equity market as well as the relative performance of the various industries/companies within these markets. The Manager takes into consideration the economic condition of each market as well as social and political factors that may affect the investment in that market. Fundamental and technical analyses are employed in the selection of individual companies.

In selecting securities denominated in various currencies, the Manager considers, among other

factors, the effects of movements in the currency exchange rates on the values of such securities in a manner that will seek to maximize the Portfolio's total Jamaican dollar return. Investments will only be made in such foreign currency instruments where relevant exemptions from foreign exchange restrictions have been granted.

The Portfolio may also invest in debt securities of corporate and government issuers domiciled in the various countries. The Portfolio may hold significant cash or cash equivalent positions pending investment or when the Manager considers this desirable as a result of market conditions.

## **Fund**

### **USD MONEY MARKET PORTFOLIO INVESTMENT OBJECTIVE**

The investment objective of the USD Money Market Portfolio is to provide US dollar-denominated current income, while providing capital preservation and liquidity by investing primarily in US dollar-denominated, short-term, money market and other interest bearing instruments.

### **WHO SHOULD INVEST IN THE PORTFOLIO**

The portfolio is suitable for investors who are looking for a low-risk hard currency investment or a place to invest pending a longer-term investment decision. Conservative investors who have low risk tolerance and for whom security of principal is their primary concern, should invest in this portfolio.

## **STRATEGY**

The Portfolio invests primarily in US dollar short-term to medium-term debt securities issued or backed by the Government of Jamaica and instruments issued or backed by the governments of the US, UK and Canada or agencies of these governments. The portfolio may also invest in Commercial paper and investment-grade obligations of sovereigns and companies globally.

The Portfolio may invest in medium-term debt securities to the extent that such securities provide a high-income yield and/or are believed to be undervalued and offer the potential for capital appreciation in the short term.

In selecting debt securities denominated in various currencies, the Manager considers, among other factors, the effects of movements in the currency exchange rates on the values of such securities in a manner that will seek to maximize the Portfolio's total US dollar return.



### **USD BOND PORTFOLIO**

#### **INVESTMENT OBJECTIVE**

The objective of the USD Bond Portfolio is to maximize total return in US dollars through capital appreciation and income by investing in medium to long term fixed income securities.

## **WHO SHOULD INVEST IN THE PORTFOLIO**

The USD Bond Portfolio is suitable for investors who have a moderate to aggressive risk profile, are seeking capital appreciation and are willing to accept moderate to high fluctuations in unit prices over the short term.

## **STRATEGY**

The Portfolio invests primarily in medium to long-term fixed income investments given that such securities provide a high income yield and offer the potential for capital appreciation in the short term. The Portfolio invests primarily in US dollar medium to long-term debt securities issued or backed by the Government of Jamaica and, instruments issued or backed by the governments of the US, UK and Canada or agencies of these governments. The Portfolio may also invest in Commercial paper and investment-grade obligations of sovereigns and companies globally as well as in shares and debt securities with investment-grade credit rating.

In selecting securities, the focus will be mainly on US dollar-denominated securities. However, investments in other currencies are permitted in so far as the Manager considers the impact that currency exchange rate movements have on the values of such securities in a manner that will seek to maximize the Portfolio's total US dollar return.

The Portfolio may hold significant cash or cash equivalent, pending investment or when the Manager considers this to be prudent due to market conditions.



## **USD INDEXED BOND PORTFOLIO INVESTMENT OBJECTIVE**

The objective of the USD Indexed Bond Portfolio is to maximize total return in Jamaican dollars through exposure to USD denominated short term to medium term USD fixed income securities.

## **WHO SHOULD INVEST IN THE PORTFOLIO**

The USD Indexed Bond Portfolio is suitable mainly for institutional and retail investors who have a moderate to aggressive risk profile and are seeking hard currency exposure but may be limited to holding a small percentage of USD-denominated assets. Those investors will be able to gain exposure to available USD-denominated investment securities while adhering to their policy limits.

## **STRATEGY**

The Portfolio invests primarily in short to medium-term USD-fixed income investments, given that such securities provide a high income yield and offer the potential for hedging currency risks associated with the Jamaican currency. The Portfolio invests primarily in debt securities issued or backed by the Government of Jamaica and foreign instruments issued or guaranteed by US, UK and Canadian Sovereigns. Additionally, investments may be made in investment-grade sovereigns and corporate obligations of entities incorporated outside of Jamaica.

In selecting assets, the focus will be on US-denominated securities with the potential for capital gains. However, investments in other foreign currencies are permitted in so far as the Manager considers the impact that currency exchange rate movements have on the values of such securities in a manner that will seek to maximize the Portfolio's total Jamaican dollar return while providing the respective hedge. The purchase of units by investors for this Portfolio will be effected in Jamaican currency and all forms of payout to investors will also be effected in Jamaican dollars. Due to the need to provide a currency hedge, the Manager will, at all times, seek to minimize holding significant JMD cash or cash-equivalent subject to market conditions and available investment options.

## **USE OF DERIVATIVES AND STRUCTURED PRODUCTS**

The Manager may choose to use derivatives such as options and forward contracts in all the portfolios in the NCB Capital Markets Limited Unit Trust Scheme in three ways:

- To hedge against losses from movements in stock markets, currency exchange rates or interest rates; or
- To gain indirect exposure to individual securities or markets instead of buying the securities directly; or
- To seek to generate additional income.

## 8. GENERAL RESTRICTIONS

### Concentration Limits

The unit trust scheme shall not purchase any securities or other assets of an issuer if more than ten percent (10%) of the net assets of the Scheme, taken at market value at the time of the transaction, would be invested in the securities of that issuer. The status of diversified or non-diversified shall be stated in the offering circular and all other marketing materials.

The above provision would not apply, however, to a purchase of securities issued or guaranteed by the Government of Jamaica and the Bank of Jamaica or securities issued by any government, where those securities have received an investment-grade credit rating from an international credit rating agency or other credit rating agency recognized by the FSC.

In addition, no more than fifteen percent (15%) of the Scheme's net assets may be invested in illiquid assets. An illiquid asset refers to an asset that cannot be readily sold through market facilities on which public quotations in common use are widely available at an amount that at least approximates the amount at which the asset is valued in calculating the net asset value per security of the Scheme; or a security held by the Scheme where resale of such security is prohibited by a representation, undertaking or agreement, that is binding on the Scheme.

The Scheme shall comply with any other investment restrictions specified by the FSC.



Where the unit trust acquires a security of an issuer other than as a result of a purchase and the acquisition results in the unit trust scheme exceeding the limits described above, the unit trust scheme shall not purchase any additional securities issued by that issuer whilst the relevant limits are exceeded.

### **Borrowing**

The Manager is allowed to borrow money in an amount up to 10% of the aggregate amount of the investments and the cash forming the Deposited Property to accommodate requests for redemptions as deemed necessary by the Manager and the Trustee.

## **9. CONFLICTS OF INTEREST**

The Trustee will use its best efforts to avoid any conflicts of interest and, should any such conflict of interest (or potential conflict) arise, it will disclose such conflict in any offering circular issued hereafter or in such manner as is approved by the Regulator.

Where a conflict of interest has arisen and the Trustee is of the view that the conflict cannot be readily resolved and that same poses a material threat to the interests of the Unit Holders, the Trustee will retire from the Trust, pursuant to the provisions of Clause 14 of the Trust Deed.

We are not aware of any existing conflicts of interest involving the Trustee.

## **10. REMUNERATION TO THE TRUSTEE**

The remuneration of the Trustee shall be agreed on from time to time by the Manager and the Trustee. The remuneration could be fixed or based on some percentage of the net deposited property and shall be payable by the Scheme. The Trustee is also entitled to be repaid by the Scheme the amount of all its disbursements incurred in the performance of its duties under the Trust Deed.

## **11. ACCUMULATION OF INCOME (DISTRIBUTION)**

The Trustee may determine whether there will be a distribution of income. Neither the Trustee nor the Manager gives any warranty or undertaking that there will be any distribution of income at any time. Please note that, in practice, the Scheme does not distribute its income but rather reinvests it, and the Unit Holders enjoy the benefit of this reinvestment through accretions in the price of their units. Audited statements will be prepared by the Manager and filed with the Trustee. Copies of the audited statements can be viewed during business hours at the offices of the Manager or accessed at any time on the NCB Capital Markets website ([www.ncbcapitalmarkets.com](http://www.ncbcapitalmarkets.com)).

## **12. ISSUE AND TRANSFER OF UNITS**

Upon receipt of a completed application form and appropriate monies, the Manager may accept or reject the application. If it is accepted, the Manager will issue a receipt to the unit holder along with

a certificate (if issued) evidencing the number of units held by the unit holder. To transfer/encash units a Unit Holder must submit a transfer form duly stamped (if required) and signed by him as the person transferring the units, along with the certificate (if issued) and submit to the Manager with proof of identity. The Registrar upon receipt of the above documentation, and where applicable, monies, shall register the applicant/transferee as may be the case as the holder of the Units. The person transferring the units will remain entitled to the units until the name of the person to whom it was transferred is entered as unit holder in the Register in respect of those units.

Statements are to be dispatched to unit holders on a quarterly basis, specifying the number of units purchased or held, the name of the unit holder and the value of their investment.

A register of unit holders will be kept by the Registrar. The Register will list the names and addresses of unit holders and the number of units held by each. Where a unit holder becomes the owner of units by virtue of an instrument of transfer, the register will list the name and address of the transferor, the date of registration of the transfer and the name and address of the transferee. The register will be opened on each business day to each unit holder without charge.

Instruments of transfer must be signed by the transferor. Each instrument must be left with the Registrar for Registration along with the certificates

(if issued) relating to the units being transferred. There is no fee chargeable for the issue of a new certificate (if issued) in the name of the transferee. On the death of a unit holder, the executor or administrators of the deceased's estate will be the only persons recognized as having title to the units. On the death of any one of the joint holders of units, the survivor(s) will be the only person(s) recognized as having title to the units.

### **CONVERSION OF UNITS**

A unit holder holding units in any Portfolio may convert those units to units in another Portfolio by serving the Manager with a Conversion Notice requesting that the Manager procure the conversion of the units. Provided always that the Manager may determine whether units in a Portfolio shall be convertible into or out of that Portfolio in its sole discretion.

## **13. OTHER VALUATION DISCLOSURES**

Value of Units may vary:

Unit Trusts own different types of investments depending on their investment objectives. The value of these investments may change from day to day, reflecting changes in interest rates, economic conditions and company news. As a result, the value of the scheme's units may go up or down and the value of your investment in the scheme may be more or less when redeemed, relative to when purchased. The full amount of your investment is not guaranteed.

**Derivatives:**

The Unit Trust may own a variety of investments including shares, bonds, debentures, promissory notes, and derivative instruments deriving their value from these underlying investments. The Unit Trust may also hold futures contracts, warrants, and other structured products including swaps, forwards, credit-linked notes and shares in mutual funds.

Though the Unit Trust proposes to use derivatives primarily for hedging purposes, the use of derivative instruments involves an inherent amount of risk and as such the FSC requires that disclosure of their possible use be made in this offering circular.

**14. STATEMENT OF INVESTMENT**

In addition to the last audited statement of the fund, a Unit Holder may at any time request from the Trustee or Manager, a listing of the Investments in the portfolio in which that unit holder owns, provided that such listing gives information on the Investments held in the portfolio at the end of the quarter immediately preceding the request.

**15. SPECIAL TAX CONCESSIONS AND WITHHOLDING TAX**

By virtue of the provisions of Section 12(t) of the Income Tax Act of Jamaica (“ITA”), the income received by the Trustee of the NCB Capital Markets Limited Unit Trust Scheme is exempt from tax, and, if tax is deducted at source from such income, the

Trustee of the NCB Capital Markets Limited Unit Trust Scheme is entitled to be refunded the amount so deducted. While distribution of income by the Trustee to the Unit Holders would be subject to Jamaican tax in practice, the NCB Capital Markets Limited Unit Trust Scheme does not distribute its income but rather reinvests it, and the Unit Holders enjoy the benefit of this reinvestment through accretions in the price of their units. When units are encashed, disposed of, or redeemed by a Unit Holder, the accretion thereupon realized by the Unit Holder is taxable in Jamaica as income, and is subject to Jamaican withholding tax at the rate of 25% under section 39(3) of the ITA.

Unit Holders may however seek to take advantage of section 12(ak) of the Income Tax Act, which states that they shall be exempt from income tax:

“accretions realized on the encashment, disposal or redemption of units in a money market fund (within the meaning of section 31A) operated by a qualified Unit Trust scheme, which have been acquired on or after the 1st June, 1999 where the following conditions apply-

The units are to be held by individuals for a period of not less than 5 years; the units are not transferable except on the death or bankruptcy of the investor;

Not more than 75 percent of the accretions realized in any year have been paid out; the amount invested in the acquisition of any such units in any year does not exceed one million

dollars; and for the purposes of this paragraph the valuation of a money market fund shall be determined on the basis of its average monthly value during the prior 3-month period.

“Section 31A(6) of the ITA defines a money market fund as:

“A pool of financial assets administered or managed collectively in respect of which-(a) at least 31 percent of the value as regards interest arising before 1st January, 2000;(b) at least 51 percent of the value as regards interest arising after 31st December, 1999, is comprised of interest-bearing instruments.”

There is no stamp duty, transfer tax or capital gains charged in Jamaica on the encashment, disposal or redemption of units. For tax purposes, unit holders resident outside of Jamaica should seek advice as to the tax treatment of any investment in the NCBCM Unit Trust Portfolios in their jurisdiction of residence.

## **16. RISK FACTORS ASSOCIATED WITH THE FUND**

The trust can be terminated in the following circumstances:

A unit trust may hold different types of securities, depending on the portfolio's investment objectives. Different investments have different types of risks. The NAV will fluctuate in value to reflect the movement of the underlying assets. We do not guarantee that the full amount of your original investment in any of the Portfolios will be returned

to you. Investors need to take account of their risk tolerance as well as the amount of risk suitable for their investment goals. Below is a summary of the various types of investment risk that may be applicable to the scheme you decide to purchase.

### ***Equity Risk***

The value of a unit trust that invests in equity securities (also called stocks or shares) will be affected by changes in the market price of those securities. The price of a stock is affected by, among other things, individual company developments and by general economic and financial conditions in those countries where the company is located, carries on business or where the stock is listed for trading.

### ***Interest Rate Risk***

Fixed-income securities are subject to risks resulting from changes in interest rates. When interest rates fall, bond prices rise. This is because, under such conditions, existing bonds paying higher rates than newly issued ones are worth more. When interest rates rise, bond prices fall, and so will the fund value of unit trusts that hold them. The income earned by a unit trust, and the income paid by the portfolios to shareholders, are also affected by changes in interest rates.

### ***Credit Risk***

Credit risk is the possibility that an issuer of a bond or other fixed-income investment may not be able to pay interest or to repay the principal at maturity. The risk of this occurring is greater with



some issuers than with others. Where the risk is considered greater, the interest rate paid by the issuer is generally higher than for an issuer where the risk is considered to be lower.

### ***Sovereign Risk***

The value of foreign securities may be influenced by foreign government policies, lack of information about foreign companies, political or social instability and the possible levy of foreign withholding tax. There may be lower standards of government supervision and regulation in foreign financial markets. Foreign stock markets may also be less liquid and more volatile. In addition, the securities markets of many countries have at times in the past moved relatively independently of one another due to different economic, financial, political and social factors. This may reduce gains that the unit trust portfolio has derived from movements in a particular market. A unit trust portfolio that holds foreign securities may have difficulty enforcing legal rights in jurisdictions outside Jamaica.

### ***Foreign Currency Risk***

The Jamaican dollar value of a unit trust's investments in foreign securities is affected by changes in the value of the Jamaican dollar, relative to the currency in which those securities are denominated. When a portfolio buys an investment priced in a foreign currency and the exchange rate between the Jamaican dollar and the foreign currency moves unfavourably, it could reduce the value of the portfolio's investment.

### ***Liquidity Risk***

Liquidity is an indicator of how easily an investment may be converted into cash. An investment may be less liquid if it is not widely-traded or if there are restrictions on the exchange where the trading takes place. As well, the liquidity of any particular security may depend on the general market liquidity of the jurisdiction(s) in which such security is traded. Furthermore, there may not exist a market for certain securities. Investments with low liquidity can have significant changes in market value.

### ***Repurchase and Reverse Repurchase Risk***

The Portfolios may enter into, repurchase transactions and reverse repurchase transactions in order to earn additional income. In such situations the Portfolio is subject to the risk that the counterparty may not fulfill its obligations, resulting in a loss to the Portfolio.

### ***Concentration Risk***

A portfolio may concentrate its investments in securities of a small number of issuers. The result is that the securities in which it invests may not be diversified across many sectors or they may be concentrated in specific countries. A portfolio may also have a significant portion of its portfolio invested in the securities of a single issuer. A relatively high concentration of assets in a single or small number of investments may reduce diversification and liquidity of the portfolio.

## 17. TERMINATION OF THE TRUST

The trust can be terminated in the following circumstances:

If, (there being only one (1) portfolio or only one (1) portfolio remaining) the Trustee having given one (1) year's notice to the Manager that a change of Manager is desirable in the interest of the Unit Holders, has not found an acceptable person ready to accept the office of Manager.

If it becomes illegal, or in the Trustee's opinion impractical, inadvisable, or contrary to the interest of the Unit Holders to continue the Trust.

If the Unit Holders by extraordinary resolutions so determine.

If the Trustee notifies the Manager of its intention to retire and no new Trustee has been appointed within six (6) months of the receipt of such notice by the Manager or within such extended period as the Manager agrees.

If the Manager notifies the Trustee of its intention to retire and the Trustee fails to appoint another suitable person as Manager, who the Trustee considers to be a suitable replacement for the Manager within six (6) months after the notification of the Trustee or within such extended period as the Manager agrees.

On the expiration of the trust period.

If either the Trustee or the Manager goes into liquidation and the other fails to appoint another suitable person as Trustee or Manager (as the case may be).

If the registration of the Unit Trust is cancelled by the Regulator pursuant to the provisions of the Unit Trusts Act.

On the Trust being terminated, the Trustee or (as the case may be) the Manager is required to:

Sell all investments held as a part of the Trust Portfolio, such sale being carried out and completed in such a manner and period after termination as the Trustee or the Manager considers advisable.

Distribute from time to time to Unit Holders in pro ratio to the number of units held by them all, net cash proceeds obtained from the sale of the property of the Portfolio. The Trustee is entitled to regain all monies sufficient to meet all costs, shares, expenses, claims and demands arising out of the Trust's liquidation, including the fees of the Trustee, the Registrar and the Manager.

## 18. OTHER DISCLOSURES

The trustee and the manager of the scheme accept full responsibility for the accuracy of the information contained in this offering circular and to the best of their ability believe that there are no other facts, the omission of which would make this offering circular misleading.

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

## 19. DATE OF SUBMISSION OF OFFERING CIRCULAR

This offering circular was submitted for registration on March 18, 2019.

## 20. FINANCIAL YEAR END

The Financial Year end of the Scheme is September 30.

### PORTFOLIO COMPOSITION & PERFORMANCE NCB CAPITAL MARKETS LTD UNIT TRUST SCHEME COMPOSITION

#### AS AT DECEMBER 2018

PORTFOLIO	TYPE	FUND SIZE	%
JMD MONEY MARKET	Fixed Income	15,041,506,620.33	48.08%
JMD HIGH YIELD	Fixed Income	127,017,251.42	0.41%
CARIBBEAN EQUITY	Equity	968,880,693.94	3.10%
USD MONEY MARKET	Fixed Income	11,491,600,188.83	36.73%
USD BOND	Fixed Income	3,380,006,743.30	10.80%
USD INDEXED BOND	Fixed Income	274,035,812.66	0.88%
		31,283,047,310.48	100.0%

#### THE ANNUAL RETURN ON THE PORTFOLIOS

PORTFOLIO	2018
JMD MONEY MARKET	2.63%
JMD HIGH YIELD	5.86%
CARIBBEAN EQUITY	6.79%
USD MONEY MARKET	0.52%
USD BOND	0.46%
USD INDEXED BOND	3.51%

The past performance of the portfolios should not be taken as an indication of future performance.



