

NAMAL GROWTH FUND

Interim Report

For the six months ended 30th September 2018

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Dear Investor,

We take pleasure in presenting the interim report of the Namal Growth Fund (NGF) for the 6 months ended 30th September 2018.

Performance Review

The NGF declined 9.4% for the six month period ended September 2018, while All Share Price Index (ASPI) and the S&P Sri Lanka 20 Index (S&P SL20) declined by 9.49% and 17.76%, respectively.

During 1HFY19, the Fund's total investment loss stood at LKR 95.15Mn compared to a profit of LKR 66.21Mn last year, mainly led by unrealized loss of LKR 72.84 Mn and realized loss of LKR37.43 Mn. The Fund posted a net loss of LKR 104.50 Mn compared to a profit of LKR 56.02 Mn a year ago.

Market Review

ASPI declined 9.5%, and S&P SL20 declined by 17.8% during the period under review. Foreigners remained net sellers, shifting away from emerging markets due to continuous strengthening of US dollar and rising US treasury yields. For the 6 month period CSE recorded a net foreign outflow of LKR 3,525 million. Participation of foreigners stood at 46.2%, while average daily turnover for the period stood at LKR 583 million.

The benchmark 12 month Treasury Yields declined during 1HFY19 and stood at 9.51%. The decrease was led by CBSL reducing Standing Lending Facility Rate by 25 bps to 8.50% at the beginning of the period under review. Private credit growth followed a downward trend during the period mainly due to slowdown in lending by financial institutions.

The Sri Lankan economy reported GDP growth of 3.6% YoY for 1HCY18. Growth was mainly led by recovery in agricultural sector which posted a growth of 4.9% YoY. Industries sector continued to grow at a slow pace of 1.6% YoY while service sector grew by 4.8%. Construction sub segment growth remained muted over Q2 2018 (YoY growth of -1.8%), while high growth in sub segments such as telco and financial services led to a higher growth in services sector. On external sector, trade deficit continued to widen, resulting in deficit of USD 7,240 Mn to August 2018. Significant growth in motor vehicle imports, gold and rising crude oil prices had a major impact on trade deficit. Tourism earnings grew by 12.5% to USD 2,935 Mn to August 2018, while worker remittances declined to USD 4,777 Mn, end of August 2018. Overall BoP position to August posted a surplus of USD 474 Mn.

Portfolio Composition

The Fund has 73.8% allocation to equity and 19.8% allocation to commercial papers and the remainder in debentures and repos

NGF's highest equity concentrations are in Banking, Energy and Materials sectors.

Sincerely,
The Fund Management Team
19th November 2018

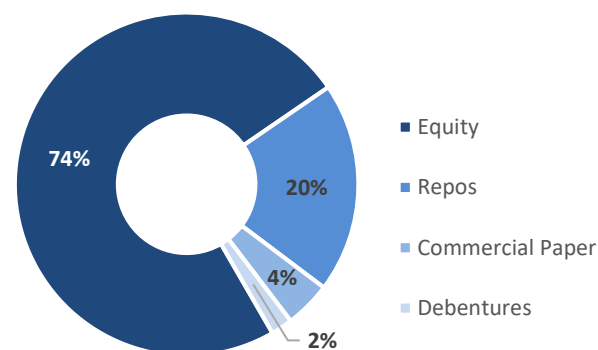
Performance Comparison

	6M* (%)	12M (%)	60M (%)	120M (%)
ASPI	-9.49	-8.95	1.01	173.64
S&P SL 20	-17.76	-18.75	-6.61	143.64
NGF	-15.98	-17.35	19.53	263.83

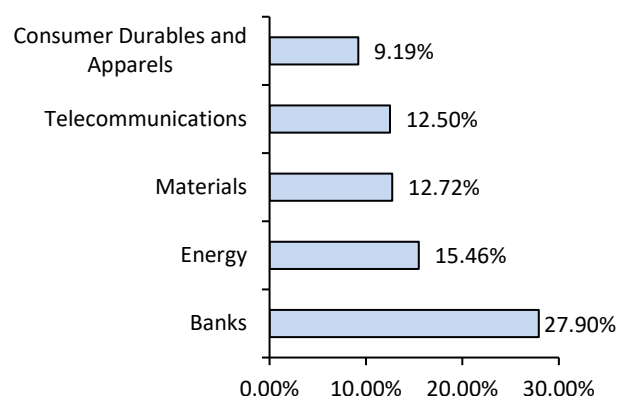
(Non-annualised returns)

* Six month period ending 30th September 2018

Asset Allocation



Top 5 Sector Allocations



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STATEMENT OF COMPREHENSIVE INCOME
For the six month period ended 30 September 2018

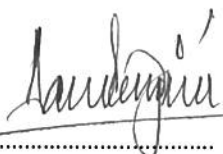
	Note	2018 Rs. Mn	2017 Rs. Mn
INVESTMENT INCOME			
Dividend income	10.1	9.84	17.00
Interest income	10.2	5.28	5.93
Net realised (losses)/gains on financial assets held for trading	6.2	(37.43)	52.01
Net change in unrealised gains/(losses) on financial assets held for trading	6.3	(72.84)	(8.74)
Total investment income		<u>(95.15)</u>	<u>66.21</u>
EXPENSES			
Management and Registrar fees		5.55	6.70
Trustee fees		0.89	1.08
Audit fee and expenses		0.31	0.21
Professional charges		0.09	-
Other expenses		0.01	0.08
Brokerage Expenses		2.46	2.07
Total operating expenses		<u>9.32</u>	<u>10.14</u>
Net operating profit/(loss)		(104.47)	56.07
FINANCE COST			
Interest expense		<u>0.02</u>	<u>(0.04)</u>
PROFIT/(LOSS) AFTER DEDUCTIONS AND BEFORE TAX		(104.50)	56.02
Income tax expense		-	-
PROFIT/(LOSS) AFTER DISTRIBUTIONS AND TAX		<u>(104.50)</u>	<u>56.02</u>
INCREASE/(DECREASE) IN NET ASSETS ATTRIBUTABLE TO UNIT HOLDERS		(104.50)	56.02

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STATEMENT OF FINANCIAL POSITION
As at 30 September 2018

ASSETS	Notes	2018 Rs Mn	2017 Rs Mn
Cash and cash equivalents		9.05	7.83
Financial assets - Held for trading	5	381.51	606.42
Financial assets - Loans and receivables	7	121.78	92.53
Accrued income and other receivables	8	0.20	0.66
Income tax recoverable		8.48	8.05
Total assets		<u>521.03</u>	<u>715.49</u>
 UNIT HOLDERS' FUNDS & LIABILITIES			
LIABILITIES			
Accrued expenses	9	<u>6.26</u>	<u>1.36</u>
Total Liabilities (Excluding net assets attributable to Unit Holders)		6.26	1.36
 UNIT HOLDERS' FUNDS			
Net assets attributable to Unit Holders		514.77	714.14
		<u>521.03</u>	<u>715.51</u>

Signed on behalf of the Management Company.



Director



Director

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STATEMENT OF CHANGES IN UNITHOLDERS' FUNDS
For the six month period ended 30 September 2018

	2018 Rs. Mn	2017 Rs. Mn
UNIT HOLDERS' FUNDS AT THE BEGINNING OF THE PERIOD	695.63	703.47
Increase/ (decrease) in net assets attributable to Unit Holders	(104.50)	56.02
Received on unit creations	1.07	6.53
Payments on unit redemptions	(77.44)	(51.88)
UNIT HOLDERS' FUNDS AT THE END OF THE PERIOD	<u>514.77</u>	<u>714.14</u>

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NOTES TO THE FINANCIAL STATEMENTS

For the six month period ended 30 September 2018

- 1** All figures are audited. Where necessary comparative figures have been with the changes adjusted to confirm in presentation in the current period.
- 2** Income is recognised on accrual basis
- 3** There are no material Contingent Liabilities or contingent Assets which require disclosure in the financial statements.
- 4** No circumstances have arisen since the Balance Sheet date, which would require adjustments or disclosure in the Financial Statements.

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NOTES TO THE FINANCIAL STATEMENTS
For the six month period ended 30 September 2018

5 FINANCIAL ASSETS - HELD FOR TRADING

	2018	2017
	Rs. Mn	Rs. Mn
Quoted equity securities (5.1)	371.31	604.32
Debt securities - quoted debentures (6.1)	10.20	2.10
	381.51	606.42

5.1 Quoted equity securities

Cost as at 30 September	423.15	568.26
Appreciation/(depreciation) of market value quoted equity securities	(51.84)	36.06
Market Value as at 30 September	371.31	604.32

	2018		2017	
5.1.1 Company	Number of Shares	Market Value	Number of Shares	Market Value
		Rs. Mn		Rs. Mn
Banks, Finance and Insurance				
HNB- N	297,943	62.57	299,999	70.50
Nations Trust	-	-	160,000	12.80
Seylan bank	209,235	14.65	204,132	18.39
Sampath Bank	110,000	26.39	147,431	45.48
	617,178	103.60	811,562	147.17
Constructions				
Access Engineering	1,060,000	14.73	500,000	12.90
	1,060,000	14.73	500,000	12.90
Beverages, Food and Tobacco				
Cargills Ceylon PLC	129,218	25.83	244,316	46.91
	129,218	25.83	244,316	46.91
Diversified Holdings				
Softlogic Holdings	-	-	1,400,000	16.90
	-	-	1,400,000	16.94
Health Care				
Durdans NV	-	-	54,360	3.81
Asiri Hospital LTD	890,000	20.11	-	-
	890,000	20.11	54,360	3.81
Hotels and Travels				
Aitken Spence Hotel Holdings PLC	100,000	2.52	100,000	3.15
	100,000	2.52	100,000	3.15
Manufacturing				
ACL Cables PLC	-	-	424,206	19.13
Tokyo Cement Company Lank PLC Non Voting	617,569	14.70	1,034,400	73.34
Tokyo Cement Company Lank PLC Voting	1,034,400	28.34	617,569	37.12
TJL	1,184,900	34.13	1,250,000	48.75
Piramal Glass	949,384	4.18	949,384	5.98
Chevron	-	-	598,016	72.96
	3,786,253	81.35	4,873,575	257.29
Power and Energy				
Laugfs Gas PLC NV	97,363	1.49	1,198,934	30.81
Laugfs Gas PLC V	1,198,934	21.22	97,363	2.20
Lanka IOC PLC	1,239,250	34.70	1,239,250	37.18
Laugfs Gas Eco NV	97,363	0.11	-	-
Laugfs Gas Eco V	1,198,934	1.29	-	-
Laugfs Gas Leisure LTD V	1,198,934	9.29	-	-
Laugfs Gas Leisure LTD NV	97,363	0.75	-	-
Laugfs Power LTD V	1,198,934	5.83	-	-
Laugfs Power LTD NV	97,363	0.47	-	-
LVL Energy Fund LTD	200,000	1.60	-	-
	6,624,438	76.75	2,535,547	70.19
Telecommunication				
Dialog Axiata PLC	3,900,000	46.41	3,800,000	45.98
	3,900,000	46.41	3,800,000	45.98
Total value of quoted equity securities in (At Market Value)	17,107,087	371.31	14,319,360	604.33

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NOTES TO THE FINANCIAL STATEMENTS

For the six month period ended 30 September 2018

6 FINANCIAL ASSETS - HELD FOR TRADING (contd..)

6.1 Quoted debentures

	2018		2017	
	Cost	Market Value	Cost	Market Value
	Rs. Mn	Rs. Mn	Rs. Mn	Rs. Mn
Lion Brewery PLC	-	-	2.00	2.10
Sampath Bank LTD	5.00	5.08	-	-
Seylan Bank LTD	5.00	5.12	-	-
	<u>10.00</u>	<u>10.20</u>	<u>2.00</u>	<u>2.10</u>

6.2 Net realised (losses)/gains on financial assets held for trading

	2018	2017
	Rs. Mn	Rs. Mn
Equity securities		
Proceeds on sale of equity shares	176.67	129.14
Average cost of equity shares sold	(214.11)	(77.13)
	<u>(37.43)</u>	<u>52.01</u>

6.3 Net change in unrealised gains/(losses) on financial assets held for trading

	2018	2017
	Rs. Mn	Rs. Mn
Equity securities	(72.74)	(8.77)
Debt securities - quoted debentures	(0.10)	0.03
	<u>(72.84)</u>	<u>(8.74)</u>

7 FINANCIAL ASSETS - LOANS AND RECEIVABLES

	2018	2017
	Carrying Value	Carrying Value
	Rs. Mn	Rs. Mn
7.1 Investments in commercial papers	22.00	28.48
7.2 Repurchase agreements	99.78	64.05
	<u>121.78</u>	<u>92.53</u>

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8 ACCRUED INCOME AND OTHER RECEIVABLES	2018	2017
	Rs. Mn	Rs. Mn
Dividend receivable	0.18	0.64
Receivable on unit creations	0.02	0.02
	<u>0.20</u>	<u>0.66</u>
	<u><u>0.20</u></u>	<u><u>0.66</u></u>
9 ACCRUED EXPENSES	2018	2017
	Rs. Mn	Rs. Mn
Fund management and registrar fee payable	0.78	1.04
Trustee fee payable	0.13	0.17
Audit fee payable	0.22	0.15
CDS Payable	5.14	-
Other Payable	-	-
	<u>6.26</u>	<u>1.36</u>
	<u><u>6.26</u></u>	<u><u>1.36</u></u>
10 INVESTMENT INCOME	2018	2017
	Rs. Mn	Rs. Mn
10.1 Dividend income	<u>9.84</u>	<u>17.00</u>
	<u><u>9.84</u></u>	<u><u>17.00</u></u>
10.2 Interest income		
Interest on Treasury bill repurchase agreements	3.09	2.95
Interest on fixed deposits	-	-
Interest on commercial papers	1.40	2.65
Interest on debentures	0.69	0.18
Interest on savings account	0.11	0.15
	<u>5.28</u>	<u>5.93</u>
	<u><u>5.28</u></u>	<u><u>5.93</u></u>

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CORPORATE INFORMATION

Trustee & Custodian	Deutsche Bank AG 86 Galle Road Colombo 03.
Auditors	Ernst & Young Chartered Accountants 201, De Saram Place, Colombo 10.
Bankers	Deutsche Bank AG 86 Galle Road Colombo 03.
Lawyers	F J & G De Saram Attorneys-at-Law & Notaries Public 216, De Saram Place Colombo 10.
Management Company & Registrars	National Asset Management Limited (NAMAL) 7, Glen Aber Place, Colombo 03.

National Asset Management Limited
Board of Directors (As of 30th September 2018)

Mr. Alexis Lovell	Chairman
Mr. Indrajit Wickramasinghe	Director
Mr. Tyronne de Silva	Director
Mr. Malinda Samaratinga	Director
Mr. Wijenanada Dambawinne	Director
Mr. Suren Madhanayake	Director
Ms. Khoo Siew Bee	Director
Mr. Kapila Nanayakkara	Director