

NAMAL GROWTH FUND

Interim Report

For the Six months ended 30th September 2014

National Asset Management Limited

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Interim Report 2014

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Dear Investor,

We take pleasure in presenting the interim report of the NAMAL Growth Fund (NGF) for the six months ended 30th September 2014.

Performance review

The NGF generated a return of 19.99% for the six month period under review, compared to the All Share Price Index (ASPI) and S&P Sri Lanka 20 Index (S&P SL20) which gained 21.51% and 23.12% respectively.

The Fund's income increased 210.9% to Rs. 62.68 from Rs. 20.16m the prior year. The increase in income was due to higher unrealized gains. This led to profit after tax declining by 243.0% to Rs. 57.61m.

Market Review

Year to date (Sept 2014) ASPI gained 22.65% and S&P SL20 gained 23.73% and NGF gained 33.22%. Average daily turnover rose to Rs 1510m during the six months from Rs 811m in the comparative period. FII's continue to accumulate Sri Lankan equities with a net foreign inflow of Rs. 13.9bn with foreign participation amounting to 29% of turnover.

Benchmark 3, 6, and 12 month Treasury Bill auction yields declined by 50, 59 and 116 basis points respectively to 6.15%, 6.23%, and 5.89% respectively during the six month period under review. CBSL has limited access to the Standard Deposit Facility at 6.50% to a maximum of 3 times per month, with further deposits to be accepted at 5.00%. Inflationary pressures moderated with the CCPI (annual average) declining from 4.2% to 3.5% by September 2014.

Portfolio composition

The Fund has 84% allocation to equity, with the remainder in GSEC and Corporate Debt.

The highest equity concentrations are in manufacturing sector followed by healthcare sector and power and energy sector.

Notable position changes at individual stock level were divestments of our positions in Access Engineering, Alumex, Lanka Milk Foods, MTD Walkers, People's Leasing and Finance. The Fund also established a position in Cargills and Seylan Bank (NV) and added to its holding of Lanka IOC, Laugfs Gas, Nations Trust Bank and Tokyo Cement (Voting).

Sincerely,

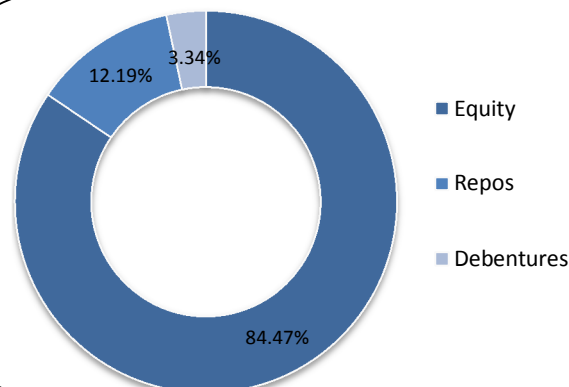
The Fund Management Team
31 October 2014

Performance Comparison

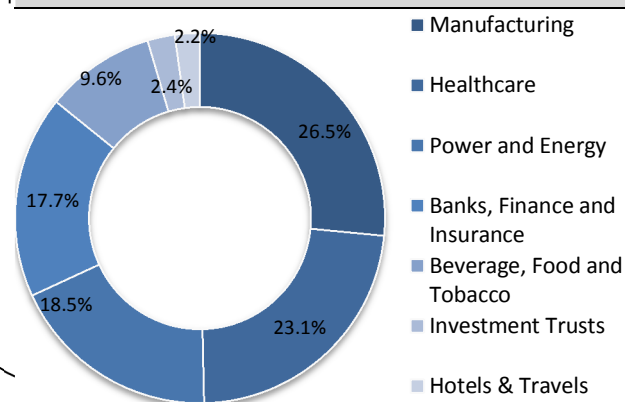
	6M* (%)	12M (%)	24M (%)	36M (%)
ASPI	21.51	24.97	21.44	6.91
S&P SL 20	23.12	25.63	24.60	17.73
NGF	19.99	35.06	44.25	34.80

* Period ending 1st April 2014 - 30th September 2014

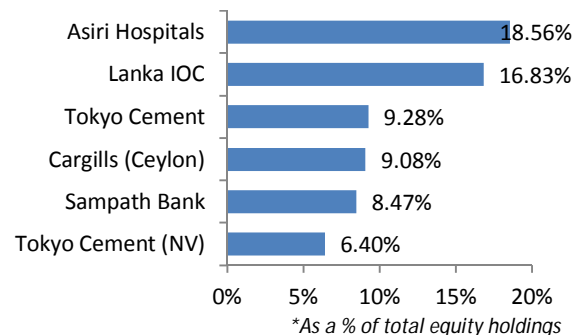
Asset Allocation



Sector Allocation



Top 6 Equity Holdings



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

	Note	2014 Rs.	2013 Rs.
INVESTMENT INCOME			
Dividend income	11.1	6.08	3.47
Interest income	11.2	2.20	3.51
Net realised (losses)/gains on financial assets held for trading	7.3	7.40	11.19
Net change in unrealised gains/(losses) on financial assets held for trading	7.4	47.00	1.99
Total investment income		62.68	20.16
EXPENSES			
Management and Registrar fees		2.79	2.36
Trustee fees		0.44	0.37
Audit fee and expenses		0.15	0.18
Professional charges		-	0.03
Other expenses		0.01	0.03
Expense on Shares		1.60	0.35
Total operating expenses		4.98	3.32
Net operating profit/(loss)		57.69	16.84
FINANCE COST			
Interest expense		(0.08)	-
PROFIT/(LOSS) AFTER DEDUCTIONS AND BEFORE TAX		57.61	16.84
Income tax expense		-	(0.04)
PROFIT/(LOSS) AFTER DISTRIBUTIONS AND TAX		57.61	16.80
INCREASE/(DECREASE) IN NET ASSETS ATTRIBUTABLE TO UNIT HOLDERS		57.61	16.80

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**STATEMENT OF FINANCIAL POSITION
As at 30 September**

ASSETS	Notes	2014 Rs Mn	2013 Rs Mn
Cash and cash equivalents		2.99	1.33
Financial assets - Held for trading	7	341.10	214.02
Financial assets - Loans and receivables	8	47.29	33.37
Accrued income and other receivables	9	0.47	0.18
Income tax recoverable		4.88	4.49
Total assets		<u>396.73</u>	<u>253.39</u>
 UNIT HOLDERS' FUNDS & LIABILITIES			
LIABILITIES			
Accrued expenses	10	<u>0.73</u>	<u>0.55</u>
Total Liabilities (Excluding net assets attributable to Unit Holders)		0.73	0.55
 UNIT HOLDERS' FUNDS			
Net assets attributable to Unit Holders		396.00	252.84
		<u>396.73</u>	<u>253.39</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**

	2014 Rs.	2013 Rs.
UNIT HOLDERS' FUNDS AT THE BEGINNING OF THE PERIOD	286.08	250.01
Increase/ (decrease) in net assets attributable to Unit Holders	57.61	16.80
Received on unit creations	61.88	2.00
Payments on unit redemptions	(9.57)	(15.97)
UNIT HOLDERS' FUNDS AT THE END OF THE PERIOD	<u>396.00</u>	<u>252.84</u>

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NOTES TO THE FINANCIAL STATEMENTS

For the six month period ended 30 September

- 1** All figures are provisional and unaudited. Where necessary comparative figures have been adjusted to confirm with the changes in presentation in the current period.
- 2** Income is recognised on accrual basis
- 3** Interest on repurchase agreements is shown together with the applicable notional tax credit which is set off against the income tax payable by the fund.
- 4** The profit and income of the fund is liable for income tax at the rate of 10% for the year of assessment 2014/2015 as specified in part A of the Second Schedule to the Inland Revenue
- 5** There are no material Contingent Liabilities or contingent Assets which require disclosure in the financial statements.
- 6** No circumstances have arisen since the Balance Sheet date, which would require adjustments or disclosure in the Financial Statements.

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

7 FINANCIAL ASSETS - HELD FOR TRADING

	2014 Rs.	2013 Rs.
Quoted equity securities (7.1)	327.73	201.76
Debt securities - quoted debentures (7.2)	13.37	12.25
	<u>341.10</u>	<u>214.02</u>

7.1 Quoted equity securities

Cost as at 30 September	248.50	180.56
Appreciation/(depreciation) of market value quoted equity securities	79.23	21.20
Market Value as at 30 September	<u>327.73</u>	<u>201.76</u>

7.1.1 Company

	2014		2013	
	Number of Shares	Market Value	Number of Shares	Market Value
Banks, Finance and Insurance				
Central Finance Company PLC	-	-	103,333	19.17
Commercial Bank of Ceylon PLC -	-	-	30,518	2.79
Commercial Bank of Ceylon PLC -	50,000	7.80	318,067	37.40
People's Leasing & Finance	-	-	321,400	4.34
Hatton National Bank PLC -Non	-	-		
Sampath Bank PLC	114,800	27.76		
Seylan Bank Non voting	150,000	8.02		
Nations Trust bank PLC	160,000	14.40	50,000	3.03
	<u>474,800</u>	<u>57.98</u>	<u>823,318</u>	<u>66.72</u>
Beverages, Food and Tobacco				
Ceylon Tobacco Company PLC				
Distilleries Company of Sri Lanka PLC				
Cargills Ceylon PLC	180,410	29.77		
Renuka Agri Foods PLC	420,000	1.72	420,000	1.64
	<u>600,410</u>	<u>31.49</u>	<u>420,000</u>	<u>1.64</u>
Chemicals and Pharmaceuticals				
CIC Holdings PLC	-	-	-	0.00
Diversified Holdings				
CT Holdings PLC (Previously named	-	-	156,500	23.44
Aitken Spence PLC				
John Keells Holdings PLC				
Hayleys PLC	-	-	60,700	17.60
Free Lanka Capital holding PLC				
	<u>-</u>	<u>-</u>	<u>217,200.00</u>	<u>41.05</u>
Health Care				
Ceylon Hospitals PLC (Durdans)	100,763	10.51	100,763	11.08
Ceylon Hospitals PLC (Durdans) -	54,360	4.40	54,360	4.25
Asiri Hospitals PLC	2,611,000	60.84	2,611,000	38.64
	<u>2,766,123</u>	<u>75.75</u>	<u>2,766,123.00</u>	<u>53.97</u>
Hotels and Travels				
Aitken Spence Hotel Holdings PLC				
Hotel Services (Ceylon) PLC - Kingsbury	392,700	7.19	392,700	4.48
Free Lanka Capital Holdings	392,700	7.19	392,700	4.48
Manufacturing				
ACL Cables PLC	171,653	13.22	121,700	7.93
Tokyo Cement Company Lank PLC	488,000	20.98	88,000	1.72
Tokyo Cement Company Lank PLC	550,000	30.41		
Royal Ceramic PLC	150,000	17.33	100,000	8.7
Kelani Tyres PLC	70,400	5.00	-	-
	<u>1,430,053</u>	<u>86.94</u>	<u>309,700</u>	<u>18.35</u>
Plantation				
Kegalle Plantations PLC	-	-	-	-
Horana Plantations PLC	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Construction & Engineering				
Access Engineering PLC	-	-	50,000	1.02
MTD Walkers	-	-	50,200	1.36
	<u>-</u>	<u>-</u>	<u>100,200</u>	<u>2.37</u>
Investment Trusts				
Renuka Holdings PLC	197,403	7.82	197,403	5.92
	<u>197,403</u>	<u>7.82</u>	<u>197,403</u>	<u>5.92</u>
Power and Energy				
Laufgs Gas PLC	134,173	5.42	55,000	1.46
Lanka IOC PLC	1,239,250	55.15		
	<u>1,373,423</u>	<u>60.57</u>	<u>55,000</u>	<u>1.46</u>
Telecommunication				
Dialog Axiata PLC	-	-	682,899	5.80
	<u>-</u>	<u>-</u>	<u>682,899</u>	<u>5.80</u>
Total value of quoted equity securities in (At Market Value)	<u>7,234,912</u>	<u>327.73</u>	<u>5,964,543</u>	<u>201.76</u>

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

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

7.2 Quoted debentures

	2014		2013	
	Cost Rs.	Market Value Rs.	Cost	Market Value
Lanka Orix Leasing Company PLC	2.00	2.09	2.00	1.97
Lion Brewery PLC	5.00	5.72	5.00	5.14
Haylys PLC	5.00	5.56	5.00	5.15
	<u>12.00</u>	<u>13.37</u>	<u>12.00</u>	<u>12.25</u>

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

	2014 Rs.	2013 Rs.
Equity securities		
Proceeds on sale of equity shares	55.62	90.37
Average cost of equity shares sold	(48.22)	(79.18)
	<u>7.40</u>	<u>11.19</u>

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

	2014	2013
Equity securities	46.73	1.64
Debt securities - quoted debentures	0.27	
	<u>47.00</u>	<u>1.64</u>

8 FINANCIAL ASSETS - LOANS AND RECEIVABLES

	2014 Carrying Value Rs.	2013 Carrying Value Rs.
8.1 Investments in commercial papers	-	-
8.2 Repurchase agreements	47.29	17.57
8.3 Placements with other banks - fixed deposits		
Union Bank of Colombo PLC	-	15.80
	<u>47.29</u>	<u>33.37</u>

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

9 ACCRUED INCOME AND OTHER RECEIVABLES	2014	2013
	Rs.	Rs.
Dividend receivable	0.31	0.18
Receivable on unit creations	0.16	-
Share application	-	-
	<u>0.47</u>	<u>0.18</u>
	<u><u>0.47</u></u>	<u><u>0.18</u></u>
10 ACCRUED EXPENSES	2014	2013
	Rs.	Rs.
Fund management and registrar fee payable	0.54	0.38
Trustee fee payable	0.08	0.06
Audit fee	0.11	0.11
	<u>0.73</u>	<u>0.55</u>
	<u><u>0.73</u></u>	<u><u>0.55</u></u>
11 INVESTMENT INCOME	2014	2013
	Rs.	Rs.
11 Dividend income	<u>6.08</u>	<u>3.47</u>
11 Interest income		
Interest on Treasury bill repurchase agreements	1.34	1.31
Interest on fixed deposits	-	0.85
Interest on commercial papers	-	0.81
Interest on debentures	0.82	0.50
Interest on savings account	0.04	0.03
	<u>2.20</u>	<u>3.51</u>
	<u><u>2.20</u></u>	<u><u>3.51</u></u>

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CORPORATE INFORMATION

Trustee & 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 & Notries Public
216, De Saram Place
Colombo 10

Managers National Asset Management Limited (NAMAL)
Union Bank Building
64,Galle Road
Colombo 03

National Asset Management Limited
Board of Directors (30th September 2014)

Mr. Alexis Lovell	Chairman
Mr. Ajith Wijeyesekera	Deputy Chairman
Mr. Anil Amarasuriya	Director
Mr.Palitha Gamage	Director
Mr. Tyrone de Silva	Director
Mr. Avancka Herat	Director
Ms. Khoo Siew Bee	Director