

NAMAL GROWTH FUND

Interim Report

For the Six months ended 30th September 2012

**National Asset Management Limited
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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 2012.

Performance review

The NGF generated a return of 10.76% over the six month period under review, compared to the All Share Price Index (ASPI) and Milanka Price Index (MPI) which gained 10.18% and 15.42% respectively.

The Fund's income increased 23% to Rs. 5.8m from Rs. 4.7m the prior year. Higher income was generated through higher asset allocation to corporate paper. The total return for the period increased to Rs. 27.2m from a negative Rs. 32.0m due to the appreciation of the equity portfolio.

Market Review

During the period under review, the ASPI gained 10.18% YTD and the MPI gained 15.42% YTD, despite both indices declining in comparison to the corresponding years (2010 & 2011). The average daily turnover dropped to Rs873.5m during the six months while FII's continue to accumulate Sri Lankan equities and foreign participation was Rs.29.3bn accounting for 24% of turnover, YTD.

On debt markets, the benchmark 12 month TB yields rose by 170bps to 13% while 3 month and 6 month Treasury bill yields rose to 11.4% (+30bps) and 12.6%(+151bps), respectively. The CBSL took a hawkish stand on monetary policy at the beginning of the year and continued to maintain its tightening cycle during period under. Inflation risk continued persist with CCPI (annual average) rising to 6.5% by September 2012.

Balance of Payment situation looks much stronger due to policy responses. The trade deficit contracted from USD 861m in March to USD 513m by September 2012 as imports fell sharply as a result of steeper devaluation of the Rupee and adjustments of import taxes. Total worker remittances improved to USD 4.4b (+16.4% YoY) and earnings from tourism amounted to USD 711m (+23% YoY) for the period ended 30th September

Portfolio composition

The Fund has a 76.2% allocation to equity, with the remainder in fixed income instruments.

The highest equity concentrations are in diversified holdings, followed by beverage food and tobacco, healthcare, and banks finance and insurance.

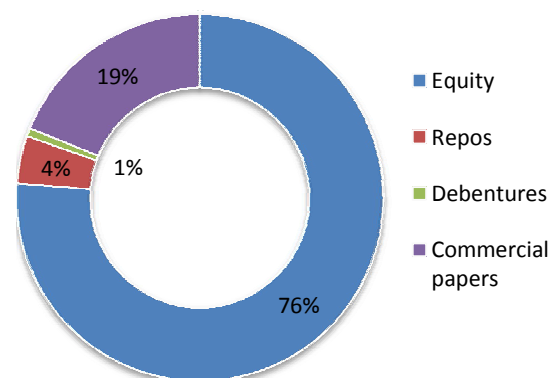
Notable position changes at individual stock level were reductions in non-voting shares of Commercial Bank and Hatton National Bank and increased exposure to Renuka Agri Foods.

Sincerely,
The Fund Management Team
3 December 2012

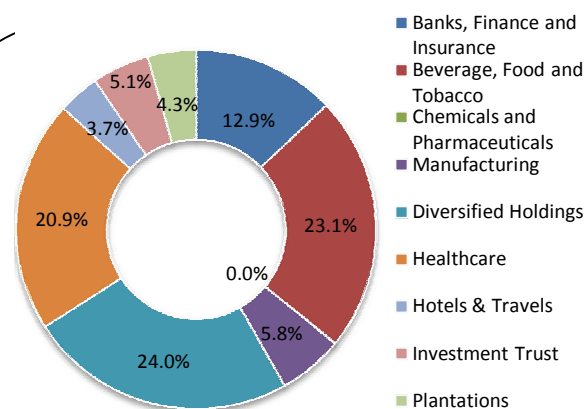
Performance Comparison

	YTD (%)	12M (%)	24M (%)	36M (%)
ASPI	10.18	(11.96)	(14.65)	103.22
MPI	15.42	(6.60)	(25.25)	71.22
NGF	10.76	(6.55)	(17.53)	75.10

Asset Allocation



Sector Allocation



Top 6 Equity Holdings

ASIRI HOSPITAL	49.71%
RENUKA AGRI	9.49%
HOTELS SERVICES	8.87%
RENUKA HOLDINGS	4.46%
PEOPLE'S LEASING	3.57%
CT HOLDINGS	3.54%

*As a % of total equity holdings

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STATEMENT OF TOTAL RETURN

For the six months ended 30th September

	2012 Rs Mn	2011 Rs Mn
INCOME		
Interest Income	2.71	1.57
Dividend Income	<u>3.10</u>	<u>3.14</u>
	5.81	4.71
DIRECT EXPENSES		
Manager's & Registrar's Fees	(2.43)	(2.70)
Trustee & Custody Fees	-	(0.41)
Audit Fees	(0.15)	(0.09)
Sundry Expenses	<u>(0.05)</u>	<u>(0.05)</u>
	(2.63)	(3.25)
Net Income before Taxation	3.18	1.46
Taxation	<u>(0.01)</u>	<u>-</u>
Net Income after Taxation	3.17	1.46
Net realised gains/ (loss) for the period	3.75	13.68
Net unrealised appreciation/(depreciation) for the period	19.80	(46.55)
Net gains/(loss) on investments	<u>23.55</u>	<u>(32.87)</u>
Total earnings for the period	26.72	(31.41)
Income Equalisation		
Income received on units created	0.96	0.41
Income paid out on units redeemed	(0.51)	(0.99)
	<u>0.45</u>	<u>(0.58)</u>
Total Return for the period	27.17	(31.99)
Net increase/(decrease) in unit holders' funds from investment activities	<u>27.17</u>	<u>(31.99)</u>

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BALANCE SHEET

As at 30th September

	2012	2011
	Rs Mn	Rs Mn
Investments		
Investment in Commercial Papers	44.92	-
Investments in Shares	183.96	254.35
Investments in Debentures	1.76	1.99
	<u>230.64</u>	<u>256.34</u>
Current Assets		
Cash & Bank Balances	2.28	0.45
Treasury Bill Repurchase Agreements	10.21	28.86
Dividend Receivable	0.20	0.14
Income Tax Recoverable	4.01	3.58
Receivable on unit creations	0.01	0.20
Accrued Income	0.55	0.07
	<u>17.26</u>	<u>33.30</u>
Current Liabilities		
Management Fees Payable	0.44	0.42
Trustee Fees Payable	-	0.07
Audit Fees Payable	0.09	0.09
Other Payables	-	-
	<u>0.53</u>	<u>0.58</u>
NET CURRENT ASSETS	<u>16.73</u>	<u>32.72</u>
ASSETS EMPLOYED	<u>247.37</u>	<u>289.06</u>
Represented By :		
Capital Account		
Unit Capital	31.10	33.96
Net realised gains/ (loss)	170.20	208.56
Net unrealised gains/ (loss)	19.00	20.62
	<u>220.29</u>	<u>263.14</u>
Undistributed Income Carried Forward	27.07	25.92
	<u>247.36</u>	<u>289.06</u>

Signed on behalf of the Management Company



Director



Director

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STATEMENT OF MOVEMENT IN UNIT HOLDERS' FUND

For the Six months ended 30th September

	2012	2011
	Rs Mn	Rs Mn
Balance at the beginning of the period	225.15	321.83
Movement due to Sale and Purchase of Units		
Received on creation of units	8.03	0.55
Payments on cancellation of units	(4.23)	(1.33)
	3.80	(0.78)
Net increase/(decrease) in unit holders' fund from investment activities	18.42	27.17
	247.37	348.22
Balance carried forward at the end of the period	247.37	348.22
Net Assets Value per Unit	Rs	Rs
Applicable to 2,742,234.3 units as at 30.09.2012	95.51	
Applicable to 2,994,408.8 units as at 30.09.2011		96.53

NOTES TO THE ACCOUNTS

- (a) All figures are provisional and unaudited
- (b) Income is recognised on accrual basis
- (c) 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.
- (d) Forward pricing methods being used in creating and redeeming units
- (e) The profit and income of the fund is liable for income tax at the rate of 10% for the year of assessment 2012/2013 as specified in part A of the Second Schedule to the Inland Revenue Act No. 10 of 2006.

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DISTRIBUTION TABLE

1st April 2012 to 30th September 2012

	UNIT CAPITAL	NET REALISED GAINS/ (LOSS)	NET UNREALISED APPRECIATION/ (DEPRECIATION)	NET INCOME	TOTAL
	Rs Mn	Rs Mn	Rs Mn	Rs Mn	Rs Mn
Balance as at 01.04.2012	30.56	171.14	-	23.45	225.14
Movement due to creation & redemption of Units	0.54				
Capital					0.54
Capital Adjustment		(0.53)	-		(0.53)
Income Equalisation				0.45	0.45
Capital Gains/ (Loss)		(0.41)			(0.41)
Net Income earned during the Period				3.17	3.17
Gains during the Period					-
Appreciation/ (Depreciation) During the period			19.00		19.00
Distribution	-	-	-	-	-
Balance at the end of the period	31.10	170.20	19.00	27.07	247.36

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INVESTMENT PORTFOLIO

As at 30th September 2012

LISTED SHARES	No of Shares	Market Value Rs Mn	% of Assets
(a) Bank, Finance & Insurance			
Commercial Bank of Ceylon PLC	29,920	2.81	1.14%
Hatton National Bank PLC - NV	10	0.00	0.00%
Union Bank PLC	1,300	0.02	0.01%
People's Leasing Co. PLC	158,100	2.21	0.89%
Central Finance PLC	103,333	18.60	7.52%
	<u>292,663</u>	<u>23.65</u>	<u>9.56%</u>
(b) Beverages, Food and Tobacco			
Distilleries Company of Sri Lanka PLC	100,000	16.00	6.47%
Lion Brewery PLC	100,000	24.30	9.82%
Renuka Agri	420,000	2.18	0.88%
	<u>620,000</u>	<u>42.48</u>	<u>17.17%</u>
(c) Hotels and Travels			
Hotel Services PLC	392,700	6.87	2.78%
	<u>392,700</u>	<u>6.87</u>	<u>2.78%</u>
(d) Manufacturing			
ACL Cables PLC	121,700	9.13	3.69%
Tokyo Cement PLC - NV	80,000	1.62	0.65%
	<u>201,700</u>	<u>10.74</u>	<u>4.34%</u>
(e) Diversified Holdings			
Ceylon Theatres	156,500	24.73	10.00%
Free Lanka Capital holding PLC	22,600	0.07	0.03%
Hayleys PLC	60,700	19.39	7.84%
	<u>239,800</u>	<u>44.18</u>	<u>17.87%</u>
(h) Investment Trust			
Renuka Holding PLC - V	197,403	9.46	3.82%
	<u>197,403</u>	<u>9.46</u>	<u>3.82%</u>
(f) Plantation			
Kegalle Plantation PLC	50,000	5.66	2.29%
Horana Plantation PLC	75,000	2.33	0.94%
	<u>125,000</u>	<u>7.99</u>	<u>3.23%</u>
(g) Chemicals & Pharmaceuticals			
CIC	1,000	0.08	0.03%
	<u>1,000</u>	<u>0.08</u>	<u>0.03%</u>
(h) Health Care			
Durdans	100,763	9.07	3.67%
Durdans - Nv	54,360	4.13	1.67%
Asiri	2,200,000	25.30	10.23%
	<u>2,355,123</u>	<u>38.50</u>	<u>15.57%</u>
(i) Power & Energy			
Grand Total	<u>4,425,389</u>	<u>183.96</u>	<u>74%</u>

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SUMMARY OF TOTAL ASSETS

As at 30th September 2012

	Principal Amount Rs Mn	Market Value Rs Mn	% of Assets
Commercial Papers	44.92	45.41	18.30%
Debentures	2.00	1.76	0.71%
Shares - Listed	<u>164.72</u>	<u>183.96</u>	<u>74.67%</u>
Sub Total	211.64	231.12	93.68%
Other Investments and Receivables			
Treasury Bills & Repurchase Agreements	10.21	10.21	4.09%
Income Tax Recoverable	4.01	4.01	1.24%
Cash	2.28	2.28	0.90%
Others	<u>0.21</u>	<u>0.21</u>	<u>0.09%</u>
Sub Total	16.71	16.72	6.32%
Total	<u>228.35</u>	<u>247.84</u>	<u>100.00%</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

Managers & Registrars

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

National Asset Management Limited
Board of Directors
(30th September 2012)

Mr. Alexis Lovell	Chairman
Mr. Ajith Wijesekera	Deputy Chairman
Mr. Anil Amarasuriya	Director
Mr. Jitendrakumar Warnak	Director
Ms. Khoo Siew Bee	Director
Mr. Avancka Herat	Director
Mr. Nihal Fonseka	Director
Mr. Tyrone de Silva	Director
Ms. Manohari Gunawardh	(Alternate)