



2016 - 2017
NAMAL
Acuity Value Fund
ANNUAL REPORT

Contents



<i>About NAMAL</i>	■	01
<i>Chairman's Review</i>	■	03
<i>Board of Directors</i>	■	05
<i>Management Team</i>	■	10
<i>NAMAL Funds</i>	■	12
<i>Investment Manager's Report</i>	■	14
<i>NAMAL Acuity Value Fund</i>	■	24
<i>Unit Information</i>	■	48
<i>Corporate Information</i>	■	50

About **nama**

About NAMAL

National Asset Management Limited (NAMAL) is the pioneer Unit Trust management company in Sri Lanka established in 1991. With over 25 years of experience and a successful track record of investing in equity and fixed income markets, NAMAL launched the first Unit Trust to be licensed in Sri Lanka (National Equity Fund) and the first listed Unit Trust (NAMAL Acuity Value Fund). We operate eight Unit Trusts and offer private portfolio management services as well. A subsidiary of Union Bank of Colombo PLC, our shareholders include DFCC Bank PLC and Ennid Capital (Pvt) Limited. We have a highly experienced and professional management team with widespread experience in domestic and international capital markets.

Our Investment Philosophy

Our philosophy is to identify and invest in “compounders” – high quality companies with dominant business models, intangible assets, pricing power and low capital intensity. The investment philosophy is clearly reflected in our Investment Management process.

Our primary objective is to provide enhanced long term growth while ensuring preservation of capital.

Our Unit Trusts

Unit Trusts enable individual investors to benefit from professional fund management, investment performance, portfolio diversification, additional investment alternatives and risk management for a low minimum investment. In addition, investors have the ability to redeem their investments on a daily basis in the event of an emergency. Investing in Unit Trusts allows you to plan and invest for your future financial wealth, significant life milestones and your prosperous retirement while enjoying peace of mind.

All NAMAL Unit Trusts are licensed and regulated by the Securities and Exchange Commission of Sri Lanka.

Chairman's Review



Dear Investors,

It is my pleasure to send this Report and accounts of the Funds to our investors for the year ended 31st March 2017.

It was a milestone year for NAMAL with the National Equity Fund celebrating its 25th Anniversary. The Fund delivered 13.69% compounded annualized return to the loyal investors during these 25 years.

For the second successive year the unit trust business was faced with bearish equity markets with ASPI declining 9.7%YoY in CY16 and interest rates on an upward trajectory with the benchmark 1 year TB yields rising above 10% during the year.

NAMAL Funds significantly out-performed the ASPI and returned positive returns to investors. National Equity Fund recorded a gain of 12.03% and NAMAL Growth Fund recorded a gain of 12.84% and NAMAL Acuity Value Fund recorded a gain of 13.56% during the period under review. National Equity Fund and NAMAL Growth Fund ranked amongst the top 3 best performing equity funds in their respective category. NAMAL fixed income funds provided attractive tax adjusted returns. NAMAL High Yield Fund and NAMAL Income Fund delivered returns of 10.96% and 10.19% during the period under review.

The equity markets have gained momentum in 2017 and we anticipate a strong year ahead despite volatile external environment and challenges stemming from macro-economic issues. We are optimistic about the long term growth prospects of the Sri Lankan economy and its capital markets and are continually exploring new opportunities to grow the funds under management. We remain committed to delivering long term capital appreciation and income to our investors by adopting conservative, fundamental based investment management.

I wish to thank our staff, the Securities and Exchange Commission of Sri Lanka, the Trustees and our market counterparties for their contribution. Most importantly I wish to extend my sincere appreciation to our loyal investors, many of whom have remained with NAMAL since inception, for the trust they have placed in us. I am confident NAMAL will repay your trust by continuing to deliver excellent performance in the future.



Alexis Lovell, MBE

Board of Directors

Board of Directors



Alexis Lovell
Chairman



Wijenanda Dambawinne



Indrajit Wickramasinghe



Palitha Gamage



Ms Khoo Siew Bee



Avancka Herat



Suren Madanayake



Malinda Samaratunga

Not in picture:
Tyrone De Silva

Profiles of the Board of Directors

Mr. Alexis Lovell, MBE – Chairman

Mr. Alexis Lovell, MBE, serves as the Chairman of UB Finance Co. Ltd. Mr. Lovell counts over thirty two years of experience in Finance and Investment Banking.

Mr. Lovell is a Chartered Management Accountant, UK. He holds a Post Graduate Degree in Business Administration.

He was awarded the MBE (Most Distinguished Order of the British Empire) by Her Majesty the Queen of England for services to Investment Banking.

Mr. Indrajit Wickramasinghe

Indrajit Wickramasinghe was appointed as Director/Chief Executive Officer of Union Bank of Colombo PLC on 15 November 2014. He counts for over 27 years of Management experience having worked in both the financial and consumer sectors in both local and multinational companies. He holds an MBA from the University of Sri Jayewardenepura, a Fellow of the Chartered Institute of Marketing UK, a Member of the Association of the Professional Bankers and a member of the Oxford Business Alumni, University of Oxford. Prior to his appointment as Director/CEO of Union Bank he served as the Chief Operating Officer of NDB Bank where he was responsible for all business areas including Retail Banking, Corporate Banking, SME Banking and Project Finance. Prior to that he held positions as a Vice President looking after functions such as HR, Marketing and seven years as Vice President heading Retail Banking. Mr. Wickramasinghe was also a Non Executive Director of Eagle Insurance/Aviva NDB Insurance, NDB Capital Holdings PLC, NDB Securities (Pvt) Ltd, Development Holdings (Pvt) Ltd and the Credit Information Bureau of Sri Lanka. He currently serves as a Non Executive Director of the National Asset Management Ltd and UB Finance Company Ltd.

Mr. Malinda Samaratunga

Mr. Malinda Samaratunga is an Associate Member of the Chartered Institute of Management Accountants, UK and a Fellow Member of the Certified Management Accountants, Sri Lanka. He holds a Master of Business Administration (MBA) and a Bachelor of Science (B.Sc.) degree both from the University of Colombo.

Mr. Samaratunga counts over 15 years of extensive experience in the Banking & Financial services sectors. He currently functions in the bank in the capacity of the Chief Financial Officer. He also serves on the Boards of UB Finance Co. Ltd. and National Asset Management Limited as a Non Independent Non Executive Director.

Mr. Wijenanda Dambawinne

Mr. Dambawinne was appointed to the Union Bank of Colombo PLC as Vice President/Head of Treasury on the 15th of October 2015 and possesses the ACI Dealing certificate from the ACI Financial Markets Association (which is an international qualification for Foreign Exchange Dealers). He has been involved in the Banking Environment for more than 33 years.

Mr. Dambawinne started his career with HSBC, Colombo from February 1984 to September 1987 and subsequently took an appointment with Sampath Bank PLC from October 1987. In his tenure at Sampath Bank PLC until October 2015, he served as Deputy General Manager - Treasury and Global Business and also served as a Director of the Board of Sampath Centre, which is a fully owned subsidiary of Sampath Bank PLC from January 2014 to October 2015.

Ms. Khoo Siew Bee

Ms. Siew Bee has extensive experience in all aspects of corporate finance work in Asia, the US and Europe. Her previous positions include Director & Country Manager of Schroders Taiwan, Director of Schroders Hong Kong, Director of Schroders Singapore and Mergers & Acquisitions Director (Asia Pacific) of Monsanto Singapore Pte Ltd.

Ms. Siew Bee is a Director of BP De Silva Holdings Pte Ltd., and a number of its subsidiary and associate companies.

Mr. Suren Madanayake

Mr. Suren Madanayake had his education at Royal College, Colombo and qualified as a Mechanical Engineer from the University of Texas at Austin, USA. He was appointed to the Board of ACL Cables PLC in June 1991 and appointed as Managing Director in September 2005. When Kelani Cables PLC was acquired in October 1999, he was appointed as Managing Director of Kelani Cables PLC and Lanka Olex Cables (Private) Ltd which is the holding Company of Kelani Cables PLC. In 2003 he was appointed as Deputy Chairman of Kelani Cables PLC.

He also serves as the Chairman of Resus Energy PLC, Managing Director of ACL Cables PLC and ACL Plastics PLC and Director of ACL Electric (Pvt) Ltd., Ceylon Bulbs & Electricals Ltd., ACL Metals & Alloys (Pvt.) Ltd., ACL Polymers (Pvt.) Ltd., ACL-Kelani Magnet Wire (Pvt.) Ltd., Ceylon Copper (Pvt.) Ltd., SM Lighting (Pvt) Ltd., Fab Foods (Pvt.) Ltd., Ceylon Tapioca Ltd., Destination Ceylon (Pvt.) Ltd., and National Asset Management (Pvt) Ltd. He also serves as Trustee of CCC Foundation of Sri Lanka, which is an approved charity. He also captained the Royal College 1st XV Rugby team in 1987.

Mr. Tyrone De Silva

Tyrone de Silva is the Executive Vice President responsible for Investments, International Relations and Strategic Planning for DFCC Bank. He also oversees the Investment Banking business of the Bank, which is carried out through Acuity Partners, an equally owned joint venture with Hatton National Bank. Tyrone joined DFCC in 1989 and has been involved in the Bank's Corporate Finance and Capital Markets businesses throughout his career. He has participated in DFCC's corporate structuring transactions including the set up or acquisition of subsidiaries and associates of the DFCC Group. Tyrone is responsible for transaction execution and overseeing the administration and monitoring of the Bank's quoted and unquoted share portfolio. He also has an oversight role in corporate communications and shareholder relations. In the latter part of his career, Tyrone took charge of Corporate Banking and subsequently was appointed as the Head of DFCC's Lending Business in the capacity of Executive Vice President. In October 2015, he took on his present responsibilities.

Tyrone is a member of DFCC's ALCO, Investment Committee and IT Steering Committee. He also participates in various Board Sub-Committees. Tyrone serves as Director on the Boards of DFCC Group companies and those in which the Bank has a significant interest.

Prior to his career at DFCC, Tyrone was employed as a foreign exchange and money broker for a period of seven years. Here he gained in-depth exposure to foreign exchange and fixed income trading, structuring of swap deals and other hybrid transactions.

Tyrone holds a Master of Business Administration degree from the University of Warwick (UK). He is also a Graduate Member of the Institute of Mechanical Engineers (UK). He has extensive international training in various aspects of management, banking and finance.

Mr. Palitha Gamage

Mr. Palitha Gamage is a career banker with over 25 years of experience at DFCC Bank. He has served in several senior managerial positions in Corporate Banking, SME Banking, Investment Banking, Planning and Operations within the bank. In addition, he also served as Head of Corporate Credit at DFCC Vardhana Bank. Presently, he holds the position Executive Vice President (Integrated Risk Management) / Chief Risk Officer of DFCC Bank. Prior to joining DFCC Bank, he worked as a Civil Engineer at State Engineering Corporation of Sri Lanka. He served as a member of the Governing Board of the National Institute of Business Management for three years from 2010 and currently serves as a Non Executive Director of the National Asset Management Ltd. During his career, Mr. Gamage has attended a multitude of local and foreign training programs and workshops covering various aspects of banking.

Mr. Gamage holds a B. Sc (Engineering) Hons degree from the University of Moratuwa, Sri Lanka and a MBA from the Asian Institute of Technology, Thailand. He is an Associate of the Chartered Institute of Management Accountants (CIMA), UK and a Corporate Member of the Institution of Engineers, Sri Lanka.

Mr. Avancka Herat

Mr. Herat is the Executive Director of NAMAL. (Please refer management team profile.)

NAMAL Risk Committee

Mr. Avancka Herat	– Chairman
Mr. Charana Jayasuriya	– Head - Sales & Structuring
Mrs. Pushpika Jeevaratne	– Head of Compliance & Risk
Mr. Suhen Vanigasooriya	– VP Risk Management (Union Bank)
Mr. Jayan Fernando	– Vice President Risk Policy & Modeling (DFCC)
Mr. Wimal Karunarachchi	– Manager Portfolio Risk (Union Bank)

NAMAL Investment Committee

Mr. Alex Lovell	– Chairman
Mr. Malinda Samaratunga	– Director
Mr. Avancka Herat	– Director/CEO
Mr. Tyrone De Silva	– Director

NAMAL Remuneration Committee

Mr. Palitha Gamage	– Chairman
Mr. Indrajit Wickramasinghe	– Director
Mr. Avancka Herat	– Director/CEO
Mr. Suren Madanayake	– Director

Internal Audit Committee

Mr. Palitha Gamage	– Chairman
Mr. Tyrone De Silva	– Director
Mr. Avancka Herat	– Director/CEO
Mr. Malinda Samaratunga	– Director

Management Team

Profiles of the Management Team

Mr. Avancka Herat, Executive Director/Chief Investment Officer

Mr. Herat has over 22 years experience in the financial services sector in the areas of investment banking, investment management and corporate finance. He has extensive regional experience having worked for investments banks and MNC's including Jardine Fleming, JP Morgan and Caltex. He has worked in Singapore, Hong Kong and Thailand specializing in key sectors such as Petroleum, Telecoms, Power and Energy, Cement, MNC's and Small Caps. Prior to joining NAMAL, Mr. Herat was the Chief Investment Officer/Director of Aegis Fund Management (Pvt) Ltd, managing the funds of DCSL Group, including Sri Lanka Insurance Corporation Ltd.

Mr. Herat holds a BSc (Hons) in Business Management from University of Swansea, Wales and MSc in Business Finance from University of London, Uxbridge.

Mr. Charana Jayasuriya, Head – Sales & Structuring

Mr. Jayasuriya has over 17 years experience in the capital markets of Sri Lanka and United Kingdom in asset management, investment banking and financial regulation. Prior to joining NAMAL, Mr. Jayasuriya was Fund Manager for Aegis Fund Management (Pvt) Ltd managing the funds of DCSL Group, including Sri Lanka Insurance Corporation Ltd specialising in –fixed income and foreign currency.

Mr. Jayasuriya holds a LLB (Hons) Law and LLM in Banking & Finance Law from University College London and completed the Advanced Asset Management Programme at INSEAD.

Mr. Daham Hettiarachchi, Assistant Fund Manager

Mr. Hettiarachchi has over 8 years of experience in the capital markets of Sri Lanka specializing in Equity research (both listed and unlisted) and fund management. Mr. Hettiarachchi was senior research analyst at JB Securities (Pvt) Limited, with expertise in sectors such as Banking/Finance, Cement, Construction and Energy. Prior to joining NAMAL he was Manager Investments at a private wealth management company focussing on listed equity and private equity/venture capital investments.

Mr. Hettiarachchi is a CFA® charter holder and has a BSc in Finance (special) degree from The University of Sri Jayewardenepura. Further he is a CIMA passed finalist.

Mrs. Pushpika Jeevaratne, Head of Compliance

Mrs. Jeevaratne has over 12 years experience in the financial services sector including investment banking. She has worked for Vanik and DP Capital Management prior to joining NAMAL.

Mrs. Jeevaratne holds a BSc.(Eng) from the University of Moratuwa and is a passed finalist of the Chartered Institute of Management Accountants (UK).

Mr. Tharaka Mudalige, Head of Retail Sales

Mr. Mudalige has over 11 years experience in Financial Services Sales including Life Insurance and General Insurance specialising in Bancassurance. Prior to joining NAMAL, Mr. Mudalige was the Manager Sales – Bancassurance for AVIVA NDB Insurance PLC.

Mr. Mudalige is an Associate Member of the Chartered Institute of Management Accountants (UK).

Mrs. Menaka Fernando, Finance Manager

Mrs. Fernando has more than 8 years experience in Accounting, Auditing and Advisory Services at Kreston MNS & Co.

Mrs. Fernando is a member of the Institute of Chartered Accountants of Sri Lanka and the Association of Accounting Technicians of Sri Lanka.

namał Funds

Highlights of NAMAL Funds

	National Equity Fund	NAMAL Growth Fund	NAMAL Acuity Fund
Fund Performance YoY Growth / (decline)	12.03%	12.84%	13.56%
Fund Size Rs.	2.3 Bn	696.1 Mn	1.4 Bn
Dividend (Rs. Per Unit)	1.00	No dividend paid in line with fund objectives	0.50
Return per unit holder (since inception)	13.69%* Rs. 100,000 invested at inception is worth Rs. 2.6 Mn today	15.04%* Rs. 100,000 invested at inception is worth Rs. 1.6 Mn today	15.14%*

	NAMAL Income Fund	NAMAL Money Market Fund	NAMAL Gilt Fund	NAMAL High Yield Fund
Fund Performance YoY Growth / (decline)	10.19%	8.13%	6.59%	10.96%
Fund Size Rs.	112.5 Mn	54.1 Mn	0.4 Mn	1.7 Bn
Dividend (Rs. Per Unit)	0.40	0.50	-	-
Tax Equivalent Yield	14.15%*	11.29%*	9.15%*	15.23%*
*For institutional investors who pay 28% corporate tax *Returns calculated assuming re-investment of Dividend *Returns Annualized				

Investment Manager's Report

Investment Manager’s Report

Sri Lanka Macro Economy

Economic Growth

Sri Lanka economy progressed through challenging circumstances in 2016. Economic growth was stifled in Q2 with devastating floods affecting many parts of the country. In the second half of 2016, severe drought conditions engulfed the country, deterring growth in agriculture and related sectors. The Central Bank of Sri Lanka (CBSL) tightened policy rates in Q1 and Q3 of 2016. Monetary policy tightening further slowed the pace of growth. The economy registered growth of 4.4% for the full year amidst a challenging environment.

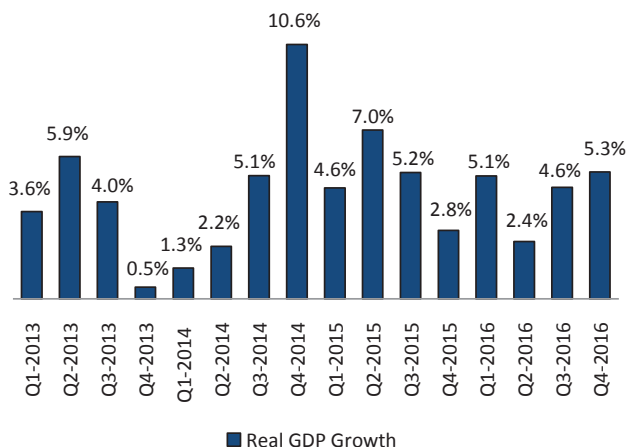
The industrial sector (26.8% of GDP) reported the highest growth of 6.7% in 2016. Construction activity was the primary driver of growth in the sector, with growth of 14.9% for full year 2016.

The service sector (56.5% of GDP) recorded growth of 4.2% led by transportation and wholesale and retail trade, with growth of 4.1% and 2.5%, respectively.

The agricultural sector (7.1% of GDP) contracted 4.2% during the year, affected by floods and the drought.

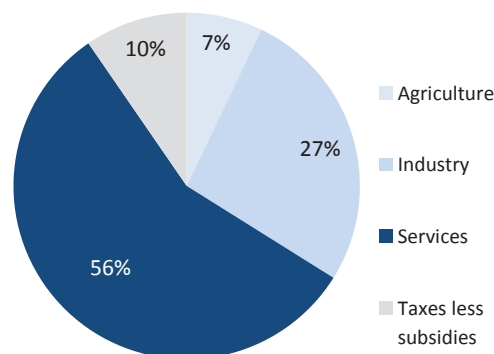
Taxes less subsidies component (9.4% of GDP) grew significantly by 25.2% as result of new tax reforms introduced to strengthen government finances.

Figure 01: Quarterly Real GDP Growth Rates



Source: Dept of Census and Statistics

Figure 02: Composition of GDP

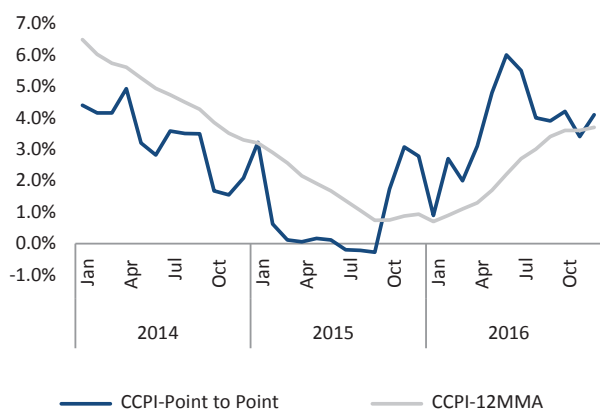


Source: Dept of Census and Statistics

Inflation

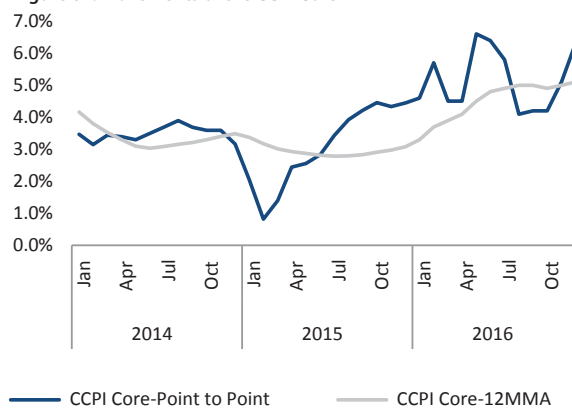
Inflation continued to accelerate in 2016, reversing the trend observed in previous years. Supply side disruptions due to floods and the drought resulted in prices of fresh food and vegetables increasing significantly contributing to higher inflation. Further, the effect of currency depreciation and implementation of higher value added tax rate affected prices of products and services and led to significantly higher inflation in 2016. Headline inflation and core inflation were reported at 4.1% and 6.3%, respectively by year end 2016 (Base Year 2006/7).

Figure 03: Movements of the CCPI



Source: Dept of Census and Statistics

Figure 04: Movements of the CCPI Core

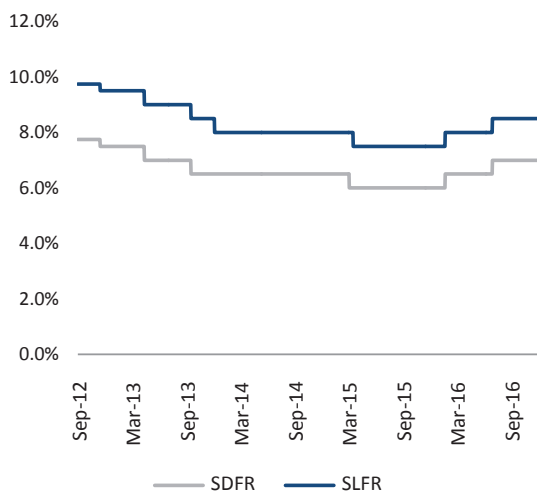


Source: Dept of Census and Statistics

Monetary Policy

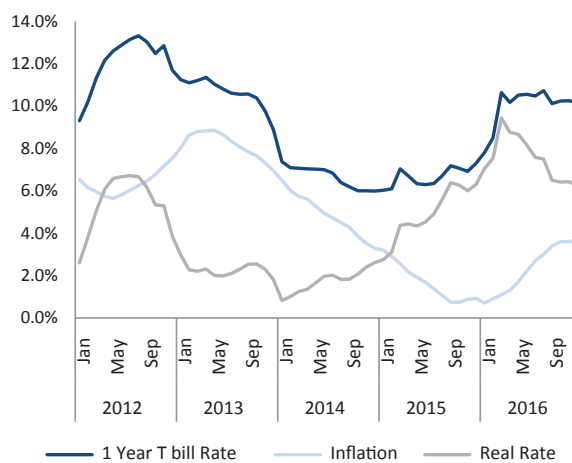
Central Bank of Sri Lanka shifted the monetary policy stance in 2016 and initiated the tightening cycle. The Statutory Reserve Ratio (SRR) was revised upwards at the start of the year. This was followed by policy rate hikes of 25bps in Q1 and Q3 of 2016. These policy measures contributed to curb inflationary pressures to a certain extent and bring down excessively high credit growth.

Figure 05: Movement in Policy Rates



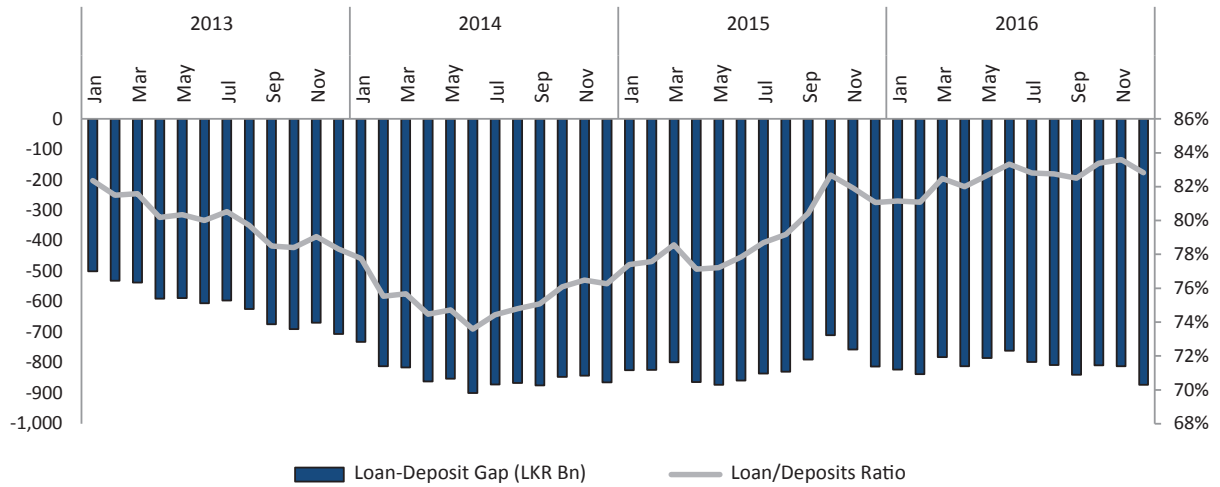
Source: Central Bank of Sri Lanka

Figure 06: Real Rates



Source: Central Bank of Sri Lanka, NAMAL Estimates

Figure 07: Loan - Deposit Gap



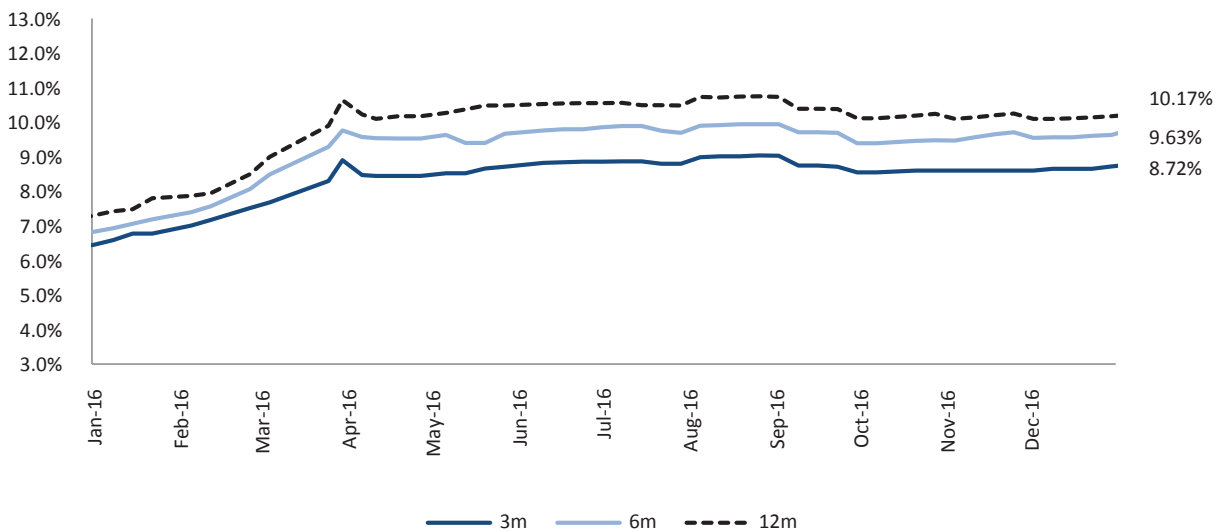
Source: Central Bank of Sri Lanka

Interest Rates

Treasury Bill rates increased steadily in the first half of the year in response to monetary tightening measures introduced by the Central Bank. Rates on t-bills stabilized towards the year end. The benchmark 1-year treasury bill rate stood at 10.17% at the end of the year, reflecting an increase of nearly 300 bps YoY.

Government financing requirement is expected to remain high considering the maturities of issued government securities. The need for refinancing of significantly high government debt maturing in 2017 and early 2018 is expected to push rates further up in 2017.

Figure 08: T - Bill Rates



Source: Central Bank of Sri Lanka

External Sector

Trade deficit expanded significantly by 8.4% to USD 9.1 Bn in 2016 with lower export earnings and higher import expenditures. Export earnings contracted by 2.2% YoY to USD 10.3 Bn in 2016 mainly as result of base effects of exporting transport equipment and weak performance in petroleum and agricultural exports, particularly tea. Earnings from industrial and mineral exports also declined during the year.

Import expenditures rose 2.5% YoY to USD 19.4 Bn in 2016 led by growth in intermediate and investment goods imports. The increase in interest rates and new regulations introduced to discourage vehicle imports resulted in significantly lower vehicle imports during the year and contributed to keep import expenditures from rising further.

Balance of Payments position improved significantly to report a deficit of USD 499.7 Mn, compared to a deficit of USD 1,488.7 Mn in 2015, aided by strong tourism sector earnings and worker remittances.

Tourism Earnings and Worker Remittances

Tourism earnings and worker remittances recorded growth in 2016 and contributed to mitigate weak external sector performance.

Tourism earnings reached USD 3.5 Bn in 2016, registering a growth of 18.0% for the year, aided by strong arrivals growth of 14.0%. Tourist arrivals reached 2.0 Mn during the year. Traditional Western Europe market maintained dominance in tourist arrivals accounting for 31.4% of total arrivals. Chinese market accounting for 13.2% of total arrivals displayed strong growth of 26.4% during the year.

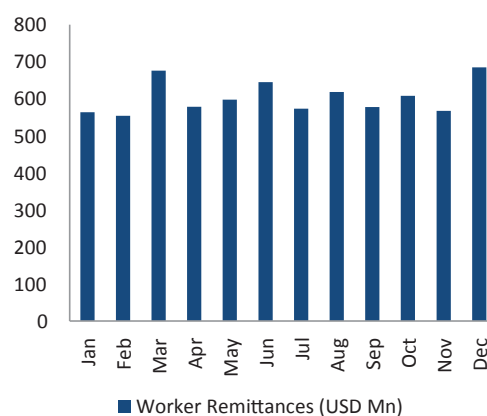
Worker remittances improved 3.7% YoY to USD 7.2 Bn during 2016, despite difficult economic conditions in the Middle East and warnings of potential slowdown in foreign exchange earnings.

Figure 09: Tourist Arrivals and Earnings



Source: Central Bank of Sri Lanka, SLTDA

Figure 10: Worker Remittances

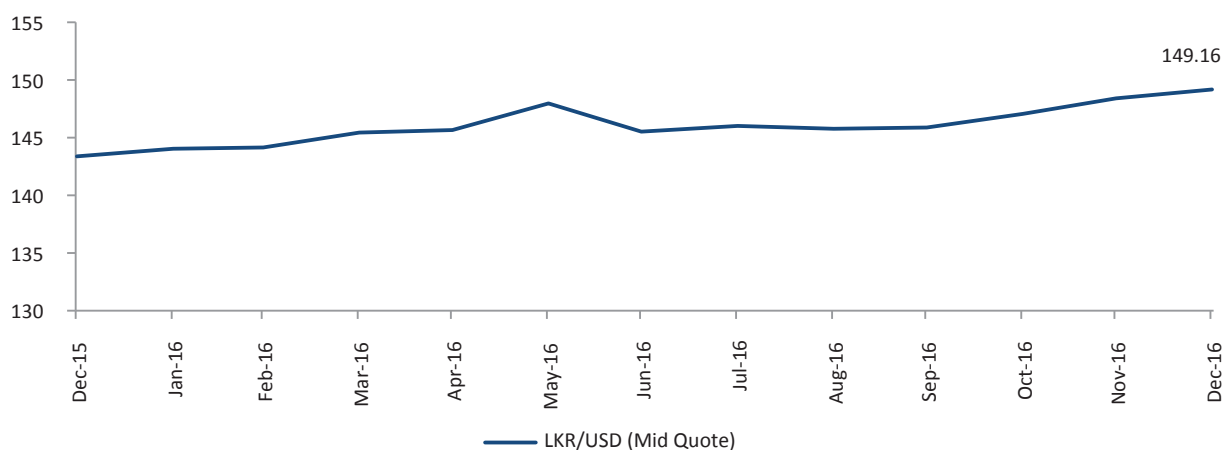


Source: Central Bank of Sri Lanka

Exchange Rate Movements

Sri Lanka's foreign reserves position was highly volatile throughout 2016. Heavy expenditure on imports resulted in reserves declining further. Volatile and weak reserves position led to Rupee depreciating 4.0% against the US Dollar during the year.

Figure 11: Exchange Rate Movement

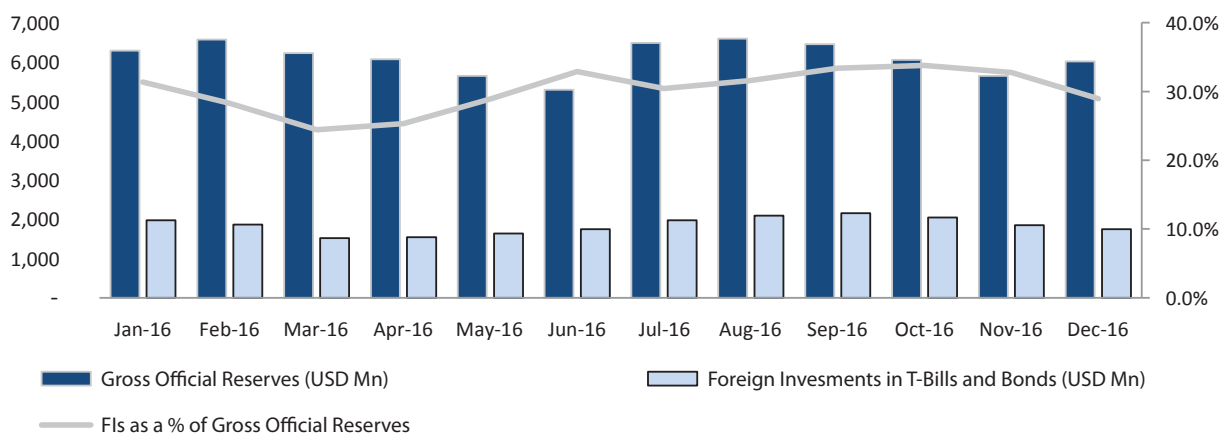


Source: Central Bank of Sri Lanka

Foreign investments in government securities (GSECs) continued to show a high level of volatility in 2016. Uncertain policy environment led to a steep decline in foreign investments in Q1 of 2016. The government reached an agreement with the IMF to obtain USD 1.5 Bn under a 3 year Extended Fund Facility programme in Q2. Renewed investor confidence with the IMF programme saw foreign investments gaining momentum and increasing steadily through Q2 and Q3. Nevertheless, the trend reversed in the final months of the year. The decline in foreign investments in GSECs also contributed to the depreciation of the Rupee.

Foreign investments in GSECs constituted 31.4% of official reserves (7.1% of total GSECs) at the beginning of 2016 and the ratio declined to 29.0% (5.6% of total GSECs) at the year end.

Figure 12: Foreign Investments in T - Bills and Bonds (USD Mn)

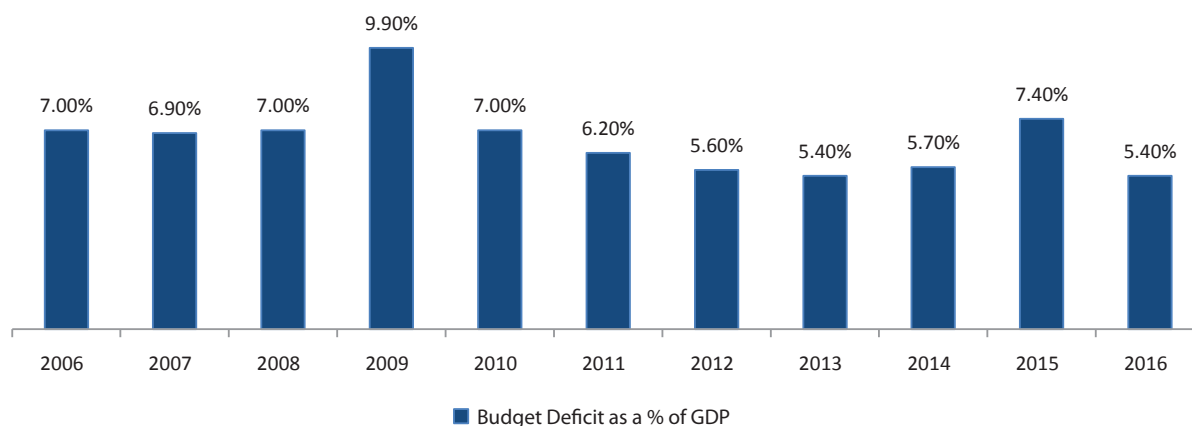


Source: Central Bank of Sri Lanka

Budget Deficit

The Budget deficit narrowed remarkably during the year. Controlled public spending on the part of the government and new tax regulations, particularly the Value Added Tax (VAT) increase enabled the government to achieve fiscal consolidation targets. The Budget deficit reduced to 5.4% in 2016 from 7.4%, reported in 2015.

Figure 13: Budget Deficit as a % of GDP



Source: Central Bank of Sri Lanka

Future Outlook

Sri Lanka economy displayed strong resilience in 2016, registering growth at 4.4%, amidst an extremely challenging environment. 2017 will be a crucial year for the country as the government forges ahead with the reform agenda and trade agreements with foreign countries in the region. New tax reforms and landmark trade agreements will strengthen macroeconomic stability and contribute to build a platform for the economy to achieve sustainable growth in future years.

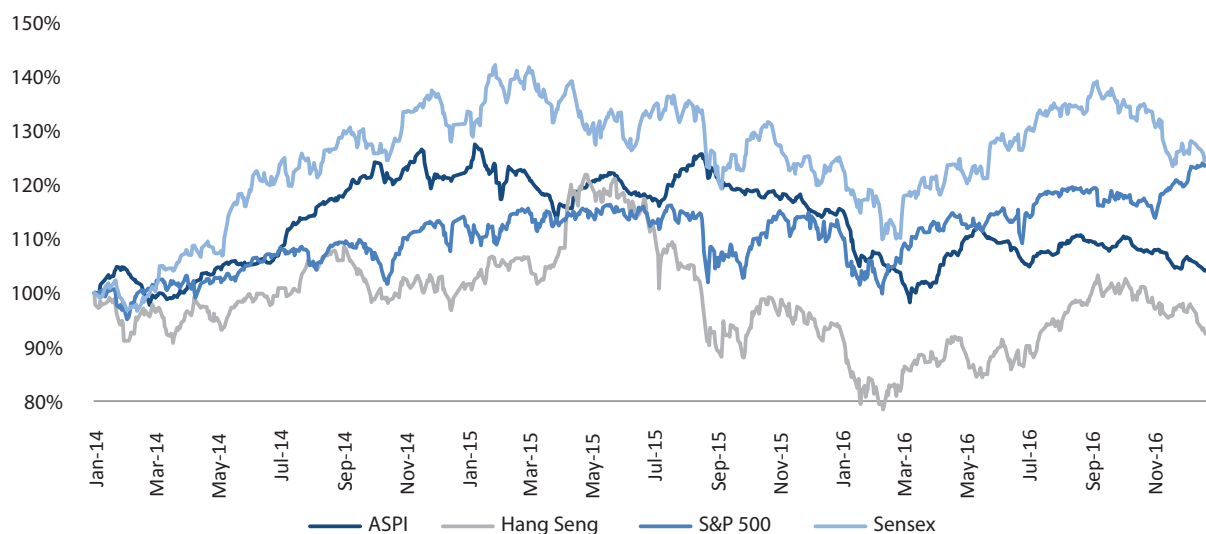
Equity Market Review

World equity markets gained momentum in 2016 led by buoyant expectations stemming from stronger US economy. The US Presidential election and the EU referendum dominated the global political landscape fueling uncertainty in the world economy. Nevertheless, equity markets showed resilience in the face of these uncertainties.

During the year, the US equities market displayed strong performance and ended the year with S&P 500 index gaining 11.2%. Regional markets also reported gains in 2016, the Sensex index increased 3.9% and the Hang Seng index rose 3.2%.

In Sri Lanka however, the equity market underperformed regional peers. The ASPI index declined 9.3% in 2016. Concerns regarding growth prospects of the economy in the face of new tax reforms affected investor sentiment and led to overall less participation in the market, driving down market prices.

Figure 14: 3 Year Equity Return - Regional Markets

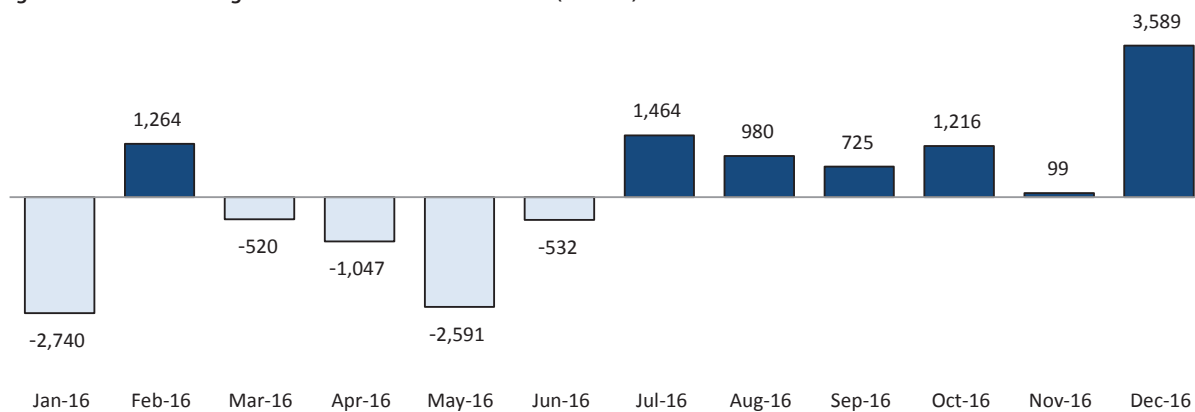


Source: Colombo Stock Exchange, Wall Street Journal Quotes

The decline in value of most equities listed on the CSE attracted the attention of foreign institutional investors and foreign inflows gained momentum in the second half of the year. Total net foreign inflow stood at LKR 1.9 Bn, compared to a net outflow of LKR 4.4 Bn in 2015.

Average daily turnover declined 30.4% YoY to LKR 737 mn with lower participation in the market.

Figure 15: 2016 Net Foreign Inflows and Outflows to the CSE (LKR Mn)



Source: Colombo Stock Exchange

Table 01: Market Statistics

	CY 2014	CY 2015	% Change	CY 2016	% Change
ASPI	7,299	6,895	-5.54%	6,228	-9.66%
S&P SL20	4,089	3,626	-11.33%	3,496	-3.59%
Average Daily Turnover (LKR Mn)	1,414	1,059	-25.11%	737	-30.41%
Net FII (LKR Mn)	22,147	(4,428)	-119.99%	1,908	-143.09%

Source: Colombo Stock Exchange

Overall market return for 2016 was negative 9.66%. The manufacturing sector reported a negative return of only 1.91%. F&B sector and the Bank, Finance and Insurance sector reported negative returns, 5.36% and 7.00%, respectively. Constructions, Power and Energy and Diversified Holdings returns were negative, 13.59%, 14.31% and 15.83% respectively.

Figure 16: Index Returns 2016 - Key Sectors

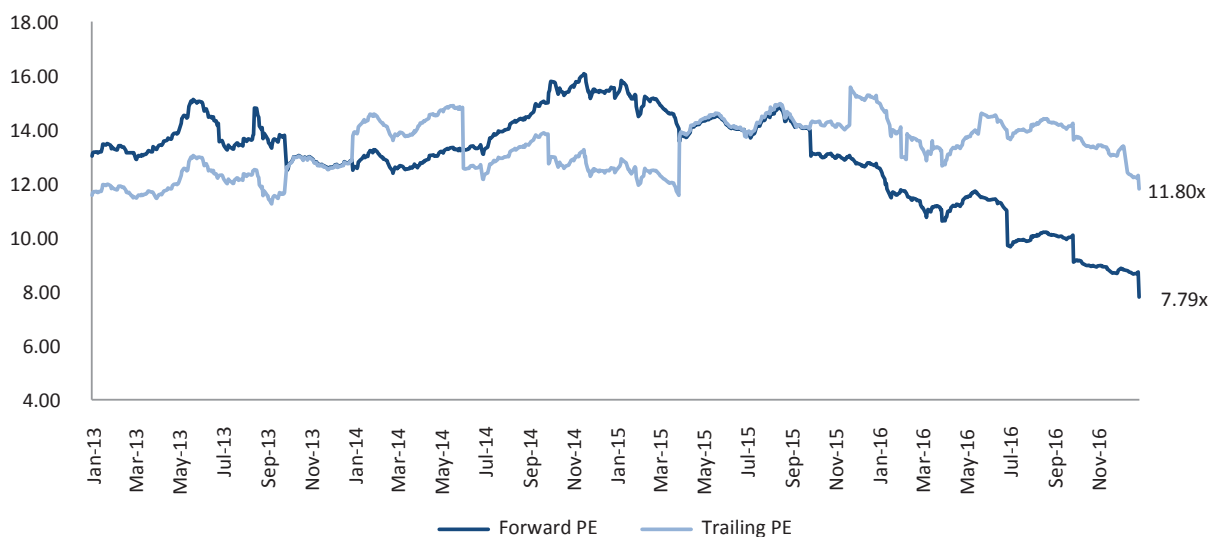


Source: Colombo Stock Exchange

Corporate earnings reported a growth of 13.8% YoY in 2016, to LKR 233 Bn. In the final quarter of 2016, overall market earnings increased to LKR 61 Bn, driven by strong earnings growth in the banking and capital goods sectors. We expect the growth in earnings to continue in 2017 and conservatively estimate corporate earnings to grow at 15.0%.

The trailing price-earnings ratio of the Colombo Stock Exchange stood at 11.8x at the end of the year, while the forward price-earnings ratio was approximately at 7.8x, based on the assumption of 15.0% growth in corporate earnings.


Figure 17: Market Price Multiple Chart



Source : Colombo Stock Exchange, Bloomberg LP

Future Market Outlook

Current market valuations of the CSE have already attracted the attention of institutional investors looking for long term growth opportunities. We believe that the market will gain momentum in 2017, with the enforcement of new regulatory and tax reforms, clearing uncertainty surrounding the growth potential of the economy. National Asset Management Ltd will continue to remain committed to capture market opportunities as they unfold and pursue best investments for our investors.



namal
Acuity
Value Fund

Fund Performance Review

Investment Strategy

NAMAL Acuity Value Fund (NAVF) is a growth fund listed on Colombo Stock Exchange which aims to provide long term capital appreciation by investing in equity. The Fund can allocate a maximum of 100% to equity.

The investment strategy is market neutral and based on fundamental research to identify stocks trading below intrinsic value. The Fund has invested in fundamentally strong companies that are exposed to the key sectors of the economy. These investments will enable the Fund to perform strongly notwithstanding any short-term market volatility.

The Fund aims to deliver consistent capital appreciation to investors whilst ensuring preservation of capital.

Asset Allocation

The Fund invested 92.5% in Equities and 6.2% in Repos and the balance in Debentures as at 31st March 2017. The main sector allocations in equity are Capital Goods (24.5%), Materials (17.2%), Chemicals (17.1%) and Banks (12.1%).

Performance Review

The Fund generated a return of 13.5% while the All Share Price Index declined 0.16% for the year ending 31st March 2017. The Fund outperformed the ASPI by 15.4% and 23.4% on a 24 month and 32 month basis, respectively.

The Fund value was Rs. 1,362.5m as at 31st March 2017. The Fund reported a total investment income of Rs. 187.3m for the year, compared to an investment loss of Rs. 80m in the previous year.

Return to Investors

The Fund has provided an annualized return of 15.1% to investors since inception in 2009.

The Fund paid a dividend of Rs. 0.50 per unit for FY2017, bringing the cumulative dividends paid to Rs. 14.50 per unit since inception in 2009.

Investment Management Team,
National Asset Management Ltd

Fig 1: Fund Performance

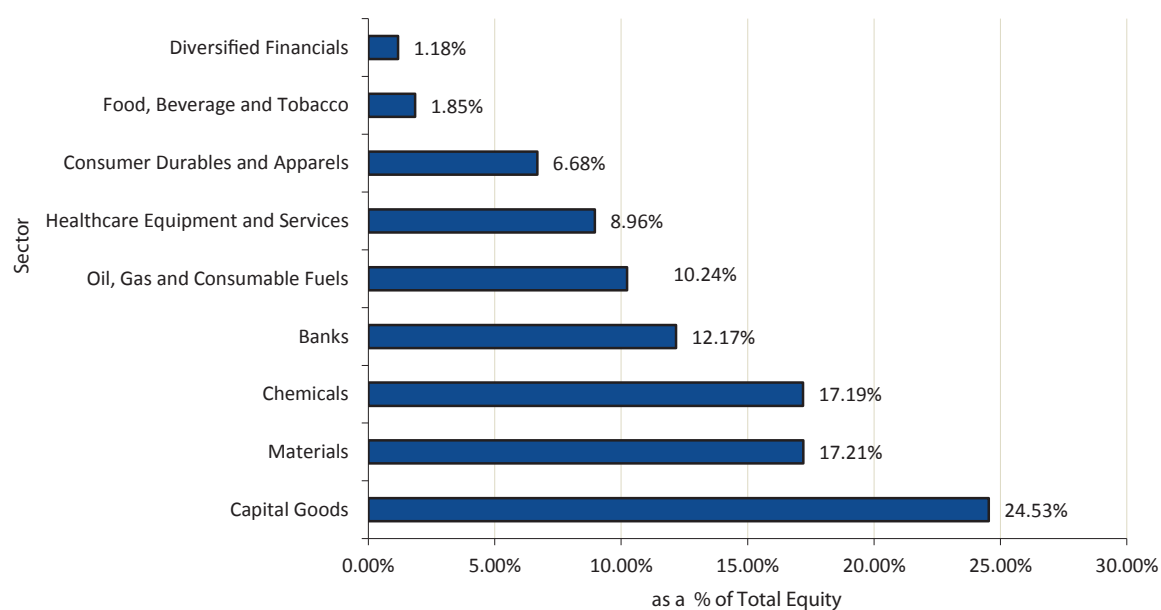
Fund Performance and Market Returns as at 31st March 2017			
	12 months	24 months	36 months
NAMAL Acuity Value Fund	13.56%	4.29%	25.05%
ASPI	-0.16%	-11.12%	1.57%
S & P SL20	7.32%	-10.73%	4.85%

***Note**

- 1) Performance up to 31st March 2017 as published by the Unit Trust Association of Sri Lanka
- 2) All returns are adjusted for dividends
- 3) Returns are not annualized
- 4) Past performance should not be taken as a guide to future performance

Fig 2: Top Five Equity Holdings

The Company	No of Shares	Value (Rs.)	% of NAV
Chevron Lubricants Lanka	1,260,000	214,200,000	15.72%
Tokyo Cement (NV)	2,318,863	122,899,739	9.02%
Hemas Holdings	1,000,000	108,700,000	7.98%
Tokyo Cement	1,500,000	91,500,000	6.72%
Lanka IOC	3,100,000	89,900,000	6.60%

Fig 3: Sector Allocation



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INDEPENDENT AUDITORS' REPORT TO THE UNIT HOLDERS OF NAMAL ACUITY VALUE FUND

Report on the Financial Statements

We have audited the accompanying financial statements of NAMAL Acuity Value Fund ('the Fund'), which comprise the statement of financial position as at 31 March 2017, statement of profit or loss and other comprehensive income, statement of movement in Unit Holders' Funds and cash flows statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

Manager's and Trustee's Responsibility for the Financial Statements

The Manager, National Asset Management Limited and the Trustee, Deutsche Bank AG are responsible for the preparation of these financial statements that give a true and fair view in accordance with Sri Lanka Accounting Standards and for such internal control as Manager and Trustee determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Sri Lanka Auditing Standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Fund's preparation of the financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by Manager and Trustee, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of NAMAL Acuity Value Fund as at 31 March 2017, and of its financial performance and cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

Report on other legal and regulatory requirements

The financial statements are prepared and presented in accordance with and comply with the requirements of the Unit Trust Deed and Unit Trust Code of the Securities and Exchange Commission of Sri Lanka.



23 May 2017
 Colombo

NAMAL Acuity Value Fund STATEMENT OF FINANCIAL POSITION

As at 31 March 2017

ASSETS	Notes	2017 Rs.	2016 Rs.
Cash at bank		8,142,841	973,539
Financial assets - Held for trading	5	1,263,397,655	1,047,767,138
Financial assets - Loans and receivables	6	83,679,047	104,657,762
Other receivables	8	457,438	44,826,298
Income tax recoverable		8,548,134	7,658,851
Total assets		<u>1,364,225,115</u>	<u>1,205,883,588</u>
LIABILITIES			
Accrued expenses and other payables	9	<u>1,626,275</u>	<u>1,426,916</u>
Total liabilities		<u>1,626,275</u>	<u>1,426,916</u>
NET ASSETS		<u>1,362,598,840</u>	<u>1,204,456,672</u>
UNIT HOLDERS' FUNDS			
Net assets attributable to Unit Holders		<u>1,362,598,840</u>	<u>1,204,456,672</u>

The Manager and Trustee are responsible for the preparation and presentation of these Financial Statements in accordance with Sri Lanka Accounting Standards and the requirements of the Unit Trust Deed and Unit Trust Code of the Fund and Exchange Commission of Sri Lanka. These Financial Statements were approved by the Manager and adopted by the Trustee.

Signed for and on behalf of the Manager and the Trustee by;



Director


Director
Management Company


Authorized Trustee

*The accounting policies and notes on pages 32 to 47 form an integral part of these Financial Statements.



NAMAL Acuity Value Fund

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Year ended 31 March 2017

	Notes	2017 Rs.	2016 Rs.
INVESTMENT INCOME			
Dividend income	10.1	64,589,692	30,687,636
Interest income	10.2	14,030,941	16,033,603
Realised gains on financial assets held for trading	5.3	26,018,562	99,746,786
Unrealised gains/(losses) on financial assets held for trading	5.4	82,685,072	(226,538,579)
Total investment income		<u>187,324,266</u>	<u>(80,070,553)</u>
EXPENSES			
Management fees		(13,924,939)	(13,801,961)
Trustee fees		(3,092,530)	(3,002,755)
Custodian fees		(271,948)	(267,130)
Audit fee and expenses		(179,268)	(188,136)
Professional charges		(195,474)	(77,556)
Brokerage charges		(5,348,637)	(5,893,190)
Other expenses		(793,703)	(695,112)
Total operating expenses		<u>(23,806,498)</u>	<u>(23,925,839)</u>
Net operating profit/(loss)		163,517,768	(103,996,392)
FINANCE COST			
Interest expense		-	(808)
PROFIT/(LOSS) BEFORE TAX		163,517,768	(103,997,200)
Income tax expense	11	-	-
PROFIT AFTER TAX		<u>163,517,768</u>	<u>(103,997,200)</u>
Other Comprehensive Income		-	-
TOTAL COMPREHENSIVE INCOME/(LOSS)		<u><u>163,517,768</u></u>	<u><u>(103,997,200)</u></u>
INCREASE/(DECREASE) IN NET ASSETS ATTRIBUTABLE TO UNIT HOLDERS		163,517,768	(103,997,200)

*The accounting policies and notes on pages 32 to 47 form an integral part of these Financial Statements.

NAMAL Acuity Value Fund
STATEMENT OF CHANGES IN UNIT HOLDERS' FUNDS
 Year ended 31 March 2017

	Note	2017 Rs.	2016 Rs.
UNIT HOLDERS' FUNDS AT THE BEGINNING OF THE YEAR		1,204,456,672	1,335,331,872
Increase/(Decrease) in net assets attributable to Unit Holders		163,517,768	(103,997,200)
Income distribution to unit holders	12	(5,375,600)	(26,878,000)
UNIT HOLDERS' FUNDS AT THE END OF THE YEAR		<u>1,362,598,840</u>	<u>1,204,456,672</u>

*The accounting policies and notes on pages 32 to 47 form an integral part of these Financial Statements.

NAMAL Acuity Value Fund
STATEMENT OF CASH FLOWS
Year ended 31 March 2017

	2017	2016
	Rs.	Rs.
Cash flows from operating activities		
Dividend received	64,327,552	35,824,913
Interest received	16,066,958	14,525,135
Net Investments in T-Bills/Bonds Repurchase Agreements	(55,143,093)	7,026,897
Net Investments from Debentures	42,600,000	20,000,000
Net Investments in Equity Securities	(426,597,637)	(334,374,192)
Net Investments from/(in) Commercial Papers	74,802,031	(74,802,031)
Proceeds from sale of Equity Securities	320,096,232	383,882,038
Operating expenses paid	(23,607,140)	(25,008,722)
Income tax paid	-	(122,225)
Net cash generated from operating activities	<u>12,544,902</u>	<u>26,951,812</u>
Cash flows from financing activities		
Income distribution	(5,375,600)	(26,878,000)
Interest paid on borrowings	-	(808)
Proceeds from borrowings	-	5,000,000
Repayment of borrowings	-	(5,000,000)
Net cash used in financing activities	<u>(5,375,600)</u>	<u>(26,878,808)</u>
Net increase in cash and cash equivalents	7,169,302	73,004
Cash and cash equivalents at the beginning of the year	<u>973,539</u>	<u>900,535</u>
Cash and cash equivalents at the end of the year	<u><u>8,142,841</u></u>	<u><u>973,539</u></u>

*The accounting policies and notes on pages 32 to 47 form an integral part of these Financial Statements.

NAMAL Acuity Value Fund

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2017

1. GENERAL INFORMATION

NAMAL Acuity Value Fund is a closed ended unit trust Fund approved by the Securities and Exchange Commission of Sri Lanka. The Fund was launched on 07 September 2009. The Fund is created and established for a 10 years commencing from the date of allotment 7 September 2009.

The Fund is managed by National Asset Management Limited, which is incorporated and domiciled in Sri Lanka. The registered office of the management company is located at 7th Floor, Union Bank Head Office, No. 64, Galle Road, Colombo 03. The Trustee of the Fund is Deutsche Bank AG having its place of business at No. 86, Galle Road, Colombo 03.

The investment objective of the Fund is to achieve long term capital appreciation for the Unit Holders by adopting a dynamic asset allocation strategy for investments in listed equities and listed and unlisted fixed income securities.

2. ACCOUNTING POLICIES

2.1 BASIS OF PREPARATION

The financial statements have been prepared on the historical cost basis unless otherwise indicated. The financial statements are presented in Sri Lankan rupees. The statement of financial position is presented on a liquidity basis.

2.1.1 Statement of Compliance

The financial statements which comprise the statement of financial position as at 31 March 2017, statement of profit or loss and other comprehensive income, statement of movement in Unit Holders' Funds and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory information have been prepared and presented in accordance with Sri Lanka Accounting Standards and the requirements of the Unit Trust Deed and Unit Trust Code of the Securities and Exchange Commission of Sri Lanka.

2.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.2.1 Financial instruments

All financial assets are initially recognized on the trade date, i.e the date that the Fund becomes a party to the contractual provisions of the instrument. This includes purchases of financial assets that require delivery of assets within the time frame generally established by regulation or convention in the market place.

a) Initial measurement of financial instruments

The classification of financial instruments at initial recognition depends on their purpose and characteristics and the management intention in acquiring them. Accordingly, Fund's financial assets have been classified as loans and receivables and financial assets at Fair Value through Profit or Loss.

NAMAL Acuity Value Fund
NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 March 2017

Loans and receivables

Loans and receivables are non derivative financial assets with fixed or determinable payments that are not quoted on an active market. Loan and receivables in the statement of financial position comprise of repurchase agreements.

After initial measurement, loans and receivable are subsequently measured at amortised cost using the Loans and receivable are subsequently measured at amortised cost using the effective interest rate, less allowance for impairment.

The amortization is included in the "interest income" in the statement of profit or loss and other comprehensive income. The losses arising from impairment is recognised in the statement of profit or loss and other comprehensive income in "credit loss expense".

Financial assets at Fair Value through Profit or Loss

Financial assets are classified as fair value through profit or loss (FVTPL) if they are held for trading. Financial assets at Fair Value through Profit and Loss in the statement of financial position comprise of quoted equity securities and quoted debentures.

Financial assets at fair value through profit or loss are subsequently measured at fair value. Changes in fair value are recognised in the 'Unrealised gain / (loss) on financial assets held for trading' in the statement of profit or loss and other comprehensive income. Dividend income is recorded in "investment income" according to the terms of the contract.

a) Impairment

For financial assets carried at amortised cost, the Fund first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant.

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the assets's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred).

The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the statement of profit or loss and other comprehensive income.

b) Derecognition

A financial asset is derecognised when,

- a. The rights to receive cash flows from the asset have expired,
- b. The Fund has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either,
 - The Fund has transferred substantially all the risks and rewards of the asset or
 - The Fund has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset

NAMAL Acuity Value Fund
NOTES TO THE FINANCIAL STATEMENTS
 Year ended 31 March 2017

2.2.1.2 Financial liabilities

a) Initial recognition and measurement

The Fund determines the classification of its financial liabilities at initial recognition.

The Fund's financial liabilities comprise of accrued expenses and other payables in the Statement of Financial Position.

b) Subsequent measurement

The measurement of financial liabilities depends on their classification as described below:

Other financial liabilities

After initial recognition, other financial liabilities are subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in the profit or loss and other comprehensive income statement when the liabilities are derecognised as well as through the EIR amortisation process.

c) Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount reported in the statement of financial position if, and only if:

- There is a currently enforceable legal right to offset the recognised amounts and
- There is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

2.2.2 Recognition of income

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the fund and the revenue can be reliably measured.

Interest Income

For all financial instruments measured at amortised cost, interest income is recorded using the effective interest rate (EIR), which is the rate that exactly discounts the estimated future cash payments or receipts through the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset.

Interest income from treasury bills/bonds repurchase agreements are recognised at gross of notional tax.

Dividend income

Income is recognized when the right to receive the dividend is established, normally being the ex-dividend date. Dividend income is recognized net of withholding tax, if any.

Unrealised gains/ (losses) on financial assets held at fair value through profit or loss

Unrealised gains/ (losses) on financial assets held at fair value through profit or loss includes all gains and losses arise from changes in fair value of financial assets held at fair value through profit or loss" as at the reporting date.

Realised gains/ (losses) on financial assets held at fair value through profit or loss

Realised gains/ (losses) on financial assets held at fair value through profit or loss includes results of buying and selling of quoted equity securities

NAMAL Acuity Value Fund
NOTES TO THE FINANCIAL STATEMENTS
 Year ended 31 March 2017

2.2.3 Cash and cash equivalents

Cash and cash equivalents in the statement of financial position comprise cash at bank.

For the purpose of the statement of cash flows, cash and cash equivalents consist of cash and cash equivalents as defined above.

2.2.4 Income tax

Current tax assets and liabilities for the current and prior year are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date. The fund is liable to pay income tax at the rate 10% in accordance with the Inland Revenue Act No. 10 of 2006.

2.2.5 Expenses

The management participation fees of the Fund is as follows:

Management Fee	-	1.0% of Net Asset Value of the Fund
Trustee Fee	-	0.2% of Net Asset Value of the Fund
Custody Fee	-	Flat Fee of Rs. 20,000 per month

2.2.6 Distributions

In accordance with the trust deed, the Fund distributes income, to Unit Holders by cash or reinvestment in units. The distributions are recorded in the statement of movement in Unit Holders' Funds.

2.2.7 Unit Holders' Funds and net assets attributable to Unit Holders

Unit Holders' Funds has been calculated as the difference between the carrying amounts of the assets and the carrying amounts of the liabilities, other than those due to Unit Holders as at the reporting date.

Units can be issued and redeemed based on the Fund's net asset value per unit, calculated by dividing the net assets of the Fund as described in the Trust Deed and directives issued by the Securities and Exchange Commission of Sri Lanka, by the number of units in issue. Income not distributed is included in net assets attributable to Unit Holders.

2.3 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

2.3.1 Fair value of financial instruments

Management considers credit, liquidity and market risk and assesses the impact on valuation of investments when determining the fair value. Following are the key sources of estimation uncertainty at the statement of financial position date, that have significant risk of causing a material adjustment to the carrying amount of assets and liabilities within the next financial year.

a) Fair value of securities not quoted in an active market and over the-counter derivative instruments

Management uses its judgment in determining the appropriate valuation technique for financial instruments that are not quoted in an active market. Valuation techniques commonly used by market practitioners are applied. Other financial instruments are valued using a discounted cash flow analysis based on the assumptions supported, where possible, by observable market prices or rates.

2.3.2 Impairment losses on financial assets – loans and receivables

The Fund reviews its financial investments classified as loans and receivables at each reporting date to assess whether they are impaired. In particular management judgment is required in the estimation of the amount and timing of future cash flows when determining the impairment loss. These estimates are based on assumptions about a number of factors and actual results may differ, resulting future changes to the allowance.

NAMAL Acuity Value Fund NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2017

3. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

(a) Financial Instruments

The Fund's principal financial assets comprise investments in repurchase agreements, trading securities and cash at bank. The main purpose of these financial instruments is to generate a return on the investment made by Unit Holders. The Fund's principal financial liabilities comprise amounts attributable to Unit Holders, which are the amounts owed to Unit Holders of the Fund. The Fund also has other financial instruments such as receivables and payables which arise directly from its operations.

In accordance with LKAS 39 Financial Instruments: Recognition and Measurement, the investments in repurchase agreements are classified as 'loans and receivables' and are valued at amortised cost. The investments in trading securities are classified as "held for trading" and valued at fair value. Amounts attributable to Unit Holders are classified as 'other financial liabilities' and are carried at the redemption amount being net asset value. Payables are designated as 'other financial liabilities' at amortised cost.

(b) Financial risk management objectives, policies and processes

Risks arising from holding financial instruments are inherent in the Fund's activities, and are managed through a process of ongoing identification, measurement and monitoring. The Fund is exposed to credit risk, market risk, and liquidity risk.

Financial instruments of the Fund comprise investments in repurchase agreements, commercial papers and trading securities for the purpose of generating a return on the investment made by Unit Holders, in addition to cash at bank, and other financial instruments such as other receivables and other payables, which arise directly from its operations.

The manager is responsible for identifying and controlling the risk that arise from these financial instruments. The Manager agrees policies for managing each of the risks identified below.

The risks are measured using a method that reflects the expected impact on the statement of profit or loss and other comprehensive income and Statement of Financial Position of the Fund from reasonably possible changes in the relevant risk variables. Information about these risk exposures at the reporting date, measured on this basis, is disclosed below.

The manager also monitors information about the total fair value of financial instruments exposed to risk, as well as compliance with established investment mandate limits. These mandate limits reflect the investment strategy and market environment of the Fund, as well as the level of risk that the Fund is willing to accept, with additional emphasis on selected industries. This information is prepared and reported to relevant parties within the Manager on a regular basis as deemed appropriate, including the Fund manager, other key management, Risk and Investment Committees, and ultimately the Trustees of the Fund.

Concentration of risk arises when a number of financial instruments or contracts are entered in to with the same counterparty, or where a number of counterparties are engaged in similar business activities, or activities in the same geographic region, or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economics, political or other conditions.

NAMAL Acuity Value Fund NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2017

(c) Credit risk

Credit risk is the risk that the counterparty to the financial statement will fail to discharge an obligation and cause the Fund to incur a financial loss.

The Fund's exposure to credit risk from its financial assets arises from default of the counterparty, with the current exposure equal to the fair value of these instruments as detailed below. It is the Fund's policy to enter into financial instruments with reputable counterparties with the investment grade BBB- or above. The details are as follows.

Counter Party	Credit Rating	Rating Agency
First Capital Treasuries PLC	A-	ICRA Rating

Risk concentration of credit risk exposure

Concentration of credit risk is managed by counterparty and by market sector. The fund is also subject to credit risk on its bank balance and receivables. The credit risk exposure on these instruments is not deemed to be significant.

The fund's maximum exposure to credit risk can be analysed as follows:

	2017 Rs. 000	2016 Rs. 000
NAMAL Acuity Value Fund - Investments		
Conservative	83,679	28,564
Balanced	-	76,093
Growth	1,263,398	1,047,767

(d) Market risk

Market risk represents the risk that the value of the Fund's investments portfolios will fluctuate as a result of changes in market prices.

This risk is managed by ensuring that all investment activities are undertaken in accordance with established mandate limits and investments strategies. As such, Unit Holders can manage this risk through their choices of which investment portfolios to participate in.

The Fund uses a range of different Fund managers for investment assets. Where a Unit Holder is invested in more than one investment portfolio, this reduces the impact of a particular manager underperforming. Within the underlying investment portfolio, diversification is achieved at a number of levels. The diversified portfolios are invested across a range of investment sectors. Within each sector of the diversified portfolios, the Fund managers invest in a variety of securities.

NAMAL Acuity Value Fund NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2017

Price risk

Price risk is the risk that the fair value of the fund's investment in trading securities will fluctuate as a result of changes in the price of the fund's investments in trading securities. Price risk exposure arises from the fund's investment portfolios.

The table below shows the impact on the statement of comprehensive income and statement of financial position due to a reasonably possible change in the price of the fund's investment in trading securities in note 4, with all other variables held constant:

	31 March 2017		31 March 2016	
	Increase/ (decrease) in profit before tax Rs.000	Increase/ (decrease) in amounts attributable to Unit H holders Rs.000	Increase/ (decrease) in profit before tax Rs.000	Increase/ (decrease) in amounts attributable to Unit H holders Rs. 000
investment in trading securities existing as of reporting date:				
+10%	124,611	124,611	98,626	98,626
-10%	(124,611)	(124,611)	(98,626)	(98,626)

Interest rate risk

Interest rate risk is the risk that the value of a financial instrument will fluctuate as a result of changes in market interest rates.

The Fund's interest bearing financial assets expose it to risks associated with the effects of fluctuations in the prevailing levels of market interest rates on its financial position and cash flows. The risk is measured using sensitivity analysis. However, due to the short term nature of the instruments of repurchase agreements, it is reasonably expected that the fluctuation in interest rate will not materially impact the net assets value of the Fund.

Furthermore, the Fund's exposure to interest rate risk primarily arises from changes in interest rates applicable to quoted debentures since they are valued at fair value.

The following table summarizes the sensitivity of the Funds operating profit and net assets attributable to Unit Holders to interest rate risk. The reasonably possible movements in the risk variables have been determined based on management's best estimate, having regard to a number of factors, including historical levels of changes in interest rates, historical correlation of the Fund's investment with the relevant benchmark and market volatility. However, actual movements in the risk variables maybe greater or less than anticipated due to a number of factors, including unusually large market shocks resulting from changes in performances and correlation between the performances of the economies, markets and securities in which the Fund invests. As a result, historic variations in risk variables should not be used to predict future variations in the risk variables.

	Interest rate risk impact on			
	31 March 2017 Operating Profit Rs.000	Net Assets Attributable to Unit Holders Rs.000	31 March 2016 Operating Profit Rs.000	Net Assets Attributable to Unit Holders Rs.000
Change in interest rate of Fund's investment in Trading debentures				
+1%	(141)	(141)	(414)	(414)
-1%	144	144	422	422

NAMAL Acuity Value Fund NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2017

(e) Liquidity risk

Liquidity risk is the risk that the Fund will encounter difficulty in raising Funds to meet its obligation to pay Unit Holders.

Due to the nature of a unit trust (closed-ended), it is not created to meet demand from investor to redeem the units, instead the units can be sold only in the secondary market.

However to control liquidity risk, the Fund investments in financial instruments, which under normal market conditions are readily convertible to cash. In addition, the Fund invests within established limits to ensure there is no concentration of risk. The Manager ensures that a minimum liquidity level of 3% of the total NAV of the Fund is available in cash or near cash form at any given time as required by the Unit Trust Code, reducing the liquidity risk to its investors.

The table below analyses the Fund's non-derivative financial assets and liabilities into relevant maturity groupings based on the remaining period at the end of the reporting period.

31 March 2017	Less than 1 month Rs.	1-6 months Rs.	1-12 months Rs.	1-2 years Rs.	Total Rs.
Financial Assets	1,355,676,981	-	-	-	1,355,676,981
Financial Liabilities	1,626,275	-	-	-	1,626,275
31 March 2016	Less than 1 month Rs.	1-6 months Rs.	1-12 months Rs.	1-2 years Rs.	Total Rs.
Financial Assets	1,198,224,738	-	-	-	1,198,224,738
Financial Liabilities	1,426,916	-	-	-	1,426,916

(f) Capital risk management

The Fund considers its net assets attributable to Unit Holders as capital, notwithstanding net assets attributable to Unit Holders are classified as a liability. The amount of net assets attributable to Unit Holders can change significantly on a daily basis as the Fund is subject to daily applications and redemptions at the discretion of Unit Holders.

Daily applications and redemptions are reviewed relative to the liquidity of the Fund's underlying assets on a daily basis by the Management Company. Under the terms of the Unit Trust Code, the Management Company has the discretion to reject an application for units and to defer redemption of units if the exercise of such discretion is in the best interests of unitholders. Management Company has the discretion to reject an application for units.

Following being the disclosures of Unit Holders' Funds;

The movement in the Unit Holder's Funds as at 31 March 2017

I. In terms of Value

	Rs.
Unit Holders' Funds as at 01 April 2016	1,204,456,672
Increase in net assets attributable to Unit Holders during the year	163,517,768
Distribution Made During the Year	(5,375,600)
Unit Holders' Funds as at 31 March 2017	1,362,598,840

II. In terms of No of units

Opening no of units as at 01 April 2016	10,751,200
Closing no of units as at 31 March 2017	10,751,200

NAMAL Acuity Value Fund
NOTES TO THE FINANCIAL STATEMENTS
 Year ended 31 March 2017

As stipulated within the Trust Deed, each unit represents a right to an individual share in the Fund and does not extend to a right to the underlying assets of the Fund. There are no separate classes of units and each unit has the same rights attaching to it as all other units of the Fund.

4. EFFECTS OF SRI LANKA ACCOUNTING STANDARDS ISSUED BUT NOT YET EFFECTIVE

The standard that is issued but not yet effective up to the date of issuance of the Fund's financial statements is disclosed below. The Fund intends to adopt this standard, when they become effective.

(i) SLFRS 9 - Financial Instruments

In July 2014, the Institute of Chartered Accountants of Sri Lanka issued SLFRS 9 "Financial Instruments" (on par with International Accounting Standards Board), the standard that will replace LKAS 39 "Financial Instruments - Recognition and measurement" for annual periods beginning on or after 1st January 2018, with early adoption permitted.

Impairment of Financial Assets

SLFRS 9 will fundamentally change the loan loss impairment methodology. The standard will replace incurred loss approach of LKAS 39 - "Financial Instruments - Recognition" with a forward-looking expected loss (ECL) approach.

The impairment methodology under SLFRS 9 requires impairment to be assessed under 3 stages.

Stage 01

In accordance with SLFRS 9, the impairment of financial assets that are not considered to have suffered a significant increase in their credit risk, will be measured on a 12 month expected credit loss (12 month ECL) basis.

Stage 02

SLFRS 9 requires financial assets to be classified in stage 2, when their credit risk has increased significantly since the initial recognition. For these assets, a loss allowance needs to be recognised based on their lifetime Expected Credit Losses (lifetime ECLs). Since this is a new concept compared to LKAS 39, it will result in increased allowance, as most of such assets are not considered to be credit-impaired under LKAS 39.

Stage 03

Financial assets will be included in stage 3 when there is objective evidence that the loan is credit impaired.

Classification and measurement

From a classification and measurement perspective, the new standard will require all financial assets, except equity instruments and derivatives, to be assessed based on a combination of the entity's business model for managing the assets and the instruments' contractual cash flow characteristics. The LKAS 39 measurement categories will be replaced by: Fair Value through Profit or Loss (FVPL), Fair Value through Other Comprehensive Income (FVOCI) and amortised cost. The accounting for financial liabilities will largely be the same as the requirements of LKAS 39, except for the treatment of gains or losses arising from an entity's own credit risk relating to liabilities designated at FVPL.

(ii) SLFRS 15 - Revenue from Contracts with Customers

SLFRS 15 is effective for periods beginning on or after 1st January 2018 with early adoption permitted. SLFRS 15 defines principles for recognising revenue and will be applicable to all contracts with customers. However, interest and fee income integral to financial instruments and leases will continue to fall outside the scope of SLFRS 15 and will be regulated by the other applicable standards (e.g., SLFRS 9 and SLFRS 16).

NAMAL Acuity Value Fund NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2017

5. FINANCIAL ASSETS - HELD FOR TRADING		2017	2016
		Rs.	Rs.
Quoted equity securities (5.1)		1,246,110,875	986,264,563
Debt securities - quoted debentures (5.2)		17,286,780	61,502,575
		<u>1,263,397,655</u>	<u>1,047,767,138</u>
5.1 Quoted equity securities			
Cost as at 31 March		1,135,911,520	958,760,552
Appreciation of market value of quoted equity securities		110,199,355	27,504,011
Market value as at 31 March		<u>1,246,110,875</u>	<u>986,264,563</u>
5.1.1 Company		2017	2016
	Number of Shares	Market Value	Holdings as a % of Net Asset Value
		Rs.	Rs.
			Holdings as a % of Net Asset Value
Banks, Finance and Insurance			
Central Finance Company PLC	170,000	14,654,000	1%
Nations Trust Bank PLC	1,200,000	88,800,000	7%
Seylan Bank PLC - Non Voting	1,150,000	62,905,000	5%
Sampath Bank PLC - Voting	-	-	-
		<u>166,359,000</u>	<u>13%</u>
Beverages, Food and Tobacco			
Renuka Agri Foods PLC	8,220,240	23,016,672	2%
		<u>23,016,672</u>	<u>2%</u>
Diversified Holdings			
Softlogic Holdings PLC	3,396,497	40,418,314	3%
Hemas Holdings PLC	1,000,000	108,700,000	8%
		<u>149,118,314</u>	<u>11%</u>
Health Care			
Ceylon Hospitals PLC (Durdans) - Non Voting	800,000	57,520,000	4%
Ceylon Hospitals PLC (Durdans) - Voting	54,541	4,908,690	0.4%
Lanka Hospitals Corporation PLC	800,000	49,200,000	4%
		<u>111,628,690</u>	<u>8.4%</u>
Construction & Engineering			
Access Engineering PLC	3,144,821	74,846,740	6%
		<u>74,846,740</u>	<u>6%</u>
Manufacturing			
ACL Cables PLC	1,500,000	81,750,000	6%
Textured Jersey Lanka PLC	2,250,000	83,250,000	6%
Tokyo Cement Company Lank PLC - Voting	1,500,000	91,500,000	7%
Tokyo Cement Company Lank PLC - Non Voting	2,318,863	122,899,739	9%
Chevron Lubricant Lanka PLC	1,260,000	214,200,000	16%
		<u>593,599,739</u>	<u>44%</u>
		<u>221,071,775</u>	<u>19%</u>

NAMAL Acuity Value Fund NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2017

5.1.1 Company (Contd...)	2017			2016		
	Number of Shares	Market Value Rs.	Holdings as a % of Net Asset Value	Number of Shares	Market Value Rs.	Holdings as a % of Net Asset Value
Telecommunication						
Dialog Axiata PLC	-	-	-	6,100,000	62,220,000	5%
		-	-		62,220,000	5%
Power & Energy						
Lanka IOC PLC	3,100,000	89,900,000	7%	3,100,000	100,750,000	8%
Laugfs Gas PLC - Voting	1,339,563	37,641,720	3%	409,000	14,928,500	1%
		127,541,720	10%		115,678,500	9%
Total value of quoted equity securities (At market value)						
		1,246,110,875	94.4%		986,264,563	81.4%
5.2 Quoted debentures						
	2017			2016		
	Cost Rs.	Market Value Rs.	Holding as a % of Net Asset Value	Cost Rs.	Market Value Rs.	Holding as a % of Net Asset Value
Hatton National Bank PLC	3,167,100	3,509,043	0.3%	3,167,100	3,480,514	0.3%
Central Finance PLC	-	-	-	4,600,000	4,781,897	0.4%
Lion Brewery PLC	7,000,000	7,235,773	0.5%	10,000,000	10,306,790	0.9%
Softlogic Holdings PLC	-	-	-	25,000,000	26,132,696	2.2%
Hayleys PLC	-	-	-	10,000,000	10,401,065	0.9%
Richard Pieris & Company PLC	3,110,000	3,270,351	0.2%	3,110,000	3,189,588	0.3%
Hemas Holdings PLC	3,260,000	3,271,614	0.2%	3,260,000	3,210,024	0.3%
	16,537,100	17,286,780	1.2%	59,137,100	61,502,575	5.3%
5.3 Realised in gains on financial assets held for trading						
				2017 Rs.	2016 Rs.	
Equity securities						
Proceeds on sale of equity shares				275,465,232	428,513,038	
Average cost of equity shares sold				(249,446,669)	(328,766,252)	
				26,018,562	99,746,786	
5.4 Unrealised gains/(losses) on financial assets held for trading						
Equity securities				82,695,344	(223,529,582)	
Debt securities - quoted debentures				(10,273)	(3,008,997)	
				82,685,072	(226,538,579)	
6. FINANCIAL ASSETS - LOANS AND RECEIVABLES						
	2017		2016			
	Carrying Value Rs.	Holding as a % of Net Asset Value	Carrying Value Rs.	Holding as a % of Net Asset Value		
6.1 Repurchase agreements						
Commercial Bank of Ceylon PLC	-	-	28,564,628	2%		
First Capital Treasuries PLC	83,679,047	6%	-	-		
	83,679,047	6%	28,564,628	2%		
6.2 Commercial Papers						
Softlogic Holdings PLC	-	-	76,093,134	6%		
	-	-	76,093,134	6%		
	83,679,047	6%	104,657,762	8%		

NAMAL Acuity Value Fund
NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 March 2017

6. FAIR VALUE OF FINANCIAL INSTRUMENTS

Determination of fair value and fair value hierarchy

The Fund uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

Level 1 – An investment in a fund is classified in Level 1 of the hierarchy when that investment is quoted in an active market and measured at the unadjusted quoted price at the reporting date.

Level 2 – An investment in a fund is classified in Level 2 of the hierarchy when that investment is measured using inputs that are directly observable at the reporting date.

Level 3 – An investment in a fund is classified in Level 3 of the hierarchy when the investment is measured using unobservable inputs at the reporting date.

The following assumptions used to value the level 2 securities where there is no active trading price is available:

a. Quoted Securities

All quoted securities are valued at the last trading price. However, if there is no trades for last 90 calendar days for a particular quoted security (ies), those quoted securities are valued on mark to market basis using the daily yield curve released by the Central Bank of Sri Lanka (CBSL) until the next trading day, including any risk premium attached to the instrument.

b. Risk Premium

The risk premium for valuation of quoted and unquoted debt securities shall continue to be calculated as the difference between the yield on the corporate debt and the yield on the government security of a similar maturity at the time of investing.

The following table shows an analysis of financial instruments recorded at fair value by level of the fair value hierarchy:

As at 31 March 2017	Level 1 Rs.	Level 2 Rs.	Level 3 Rs.	Total Rs.
Financial assets - held for trading				
Quoted equity securities	1,246,110,875	-	-	1,246,110,875
Quoted debentures	-	17,286,780	-	17,286,780
As at 31 March 2016				
Financial assets - held for trading				
Quoted equity securities	986,264,563	-	-	986,264,563
Quoted debentures	-	61,502,575	-	61,502,575

Financial Assets and Financial Liabilities not carried at fair value

Assets for which Fair Value Approximates Carrying Value:

For financial assets and financial liabilities that have a short term maturity (original maturities less than a year), it is assumed that the carrying amounts approximate their fair values.

Accordingly, the following is a list of financial instruments whose carrying amount is a reasonable approximation of fair value.

Assets	Liabilities
Cash and Cash Equivalents	Accrued expenses and other payables
Financial Assets - Loans and Receivables	
Other Receivables	

8. OTHER RECEIVABLES

	2017 Rs.	2016 Rs.
Dividend receivable	457,438	195,298
Receivable on share disposal	-	44,631,000
	<u>457,438</u>	<u>44,826,298</u>

NAMAL Acuity Value Fund
NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 March 2017

9. ACCRUED EXPENSES AND OTHER PAYABLES	2017	2016
	Rs.	Rs.
Fund management fee payable	1,179,003	1,026,210
Trustee and Custodian fee payable	289,188	245,888
Audit fee payable	158,083	154,818
	<u>1,626,275</u>	<u>1,426,916</u>
10. INVESTMENT INCOME	2017	2016
	Rs.	Rs.
10.1 Dividend income	<u>64,589,692</u>	<u>30,687,636</u>
10.2 Interest income		
Interest on Treasury bill/bond repurchase agreements (10.2.1)	2,890,427	4,120,154
Interest on Fixed deposits	-	1,309,979
Interest on Commercial papers	6,582,452	1,291,104
Interest on Debentures	4,449,514	9,132,181
Interest on Savings	108,548	180,186
	<u>14,030,941</u>	<u>16,033,603</u>
10.2.1 Interest income on Treasury bill/bond repurchase agreements have been recognised gross of notional tax.		
11. INCOME TAX	2017	2016
	Rs.	Rs.
11.1 Tax expense for the year	<u>-</u>	<u>-</u>
	<u>-</u>	<u>-</u>
11.2 A reconciliation between the tax expense and the product of taxable profit/(loss) multiplied by the statutory tax rate is as follows:		
Operating profit/(loss) before tax	163,517,768	(103,996,392)
Aggregate disallowable expenses/ net gains	(103,354,997)	132,684,983
Exempted income	(62,236,477)	(39,242,831)
Total statutory income/(loss)	<u>(2,073,706)</u>	<u>(10,554,241)</u>
Income tax at the rate of 10% (2016-10%)		
Income tax expense reported in the Statement of Profit or Loss and Other Comprehensive Income	<u>-</u>	<u>-</u>
	<u>-</u>	<u>-</u>
Carried forward unutilized tax losses	24,112,574	13,693,679
Adjustments on finalizing the income tax return	(4,830,638)	(135,346)
Tax losses incurred during the year	2,073,706	10,554,241
Less: Tax losses claimed	-	-
Brought forward unutilized tax losses	<u>21,355,642</u>	<u>24,112,574</u>

The Fund has not recognized deferred tax asset as at 31 March 2017 due to the Fund being unable to assess with reasonable certainty that taxable profits would be available to recover the asset in the foreseeable future, against which the tax losses amounting to Rs. 21,355,642/- (2016 - Rs. 24,112,574/-) can be utilized.

12. DISTRIBUTION

The fund announced and paid the following dividends during the year.

Dividend per Unit	Date of declaration	No. of units in issue	Total Dividend
Rs.			Rs.
0.50	04 October 2016	10,751,200	5,375,600

NAMAL Acuity Value Fund
NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 March 2017

13. CONTINGENCIES

There are no material contingencies existing as at the reporting date that require adjustments to or disclosures in the Financial Statements.

14. EVENTS AFTER THE REPORTING DATE

There have been no material events occurring after the reporting date that require adjustments to or disclosure on the Financial Statements.

15. CAPITAL COMMITMENTS

The Fund does not have significant capital commitments at the reporting date.

16. UNITS IN ISSUE AND UNIT PRICE

Units in issue and deemed to be issue as at 31 March 2017 is 10,751,200.0 (2016 - 10,751,200.0) and the price was Rs. 125.94 (2016 - Rs.111.32).

17. RELATED PARTY DISCLOSURE

17.1 Management Company and Trustee

The Management Company is National Asset Management Limited.
The Trustee is Deutsche Bank AG.

17.2 Key management personnel

Key management personnel includes persons who were directors of National Asset Management Limited at any time during the financial year.

i) Directors

Mr. Alexis Lovell MBE - Chairman
Mr. Avancka Herat - Executive Director / Chief Investment Officer
Mr. Indrajit Wickramasinghe
Mr. Malinda Samaratinga
Mr. Suren Madanayake
Ms. Khoo Siew Bee
Mr. Tyrone De Silva
Mr. Palitha Gamage
Mr. Wijenanda Dambawinne

ii) Other key management personnel

Other persons with responsibility for planning, directing and controlling the activities of the Fund, directly or indirectly during the financial year.

NAMAL Acuity Value Fund
NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 March 2017

17.3 Key management personnel compensation

Key management personnel are paid by National Asset Management Limited. Payments made from the Fund to National Asset Management Limited do not include any amounts directly attributable to the compensation of key management personnel.

17.4 Other transactions within the Fund

Apart from those details disclosed in note 17.5 and 17.6, key management personnel have not entered in to any other transactions involving the Fund during the financial year.

17.5 Related party unit holding and other transactions

The following are the related party holdings of Namal Acuity Value Fund.

As at 31 March 2017	Relationship	No. of Units	Value of units held Rs.	Total interest held
DFCC Bank PLC	Shareholder of the Management Company	2,112,810	266,096,052	19.65%
Mr. Suren Madhanayake	Director of the Management Company	2,700	340,049	0.03%
As at 31 March 2016				
DFCC Bank PLC	Shareholder of the Management Company	2,112,810	235,198,009	19.65%
Mr. Suren Madhanayake	Director of the Management Company	2,700	300,564	0.03%

17.6 Other transactions with and amounts due to related parties

The fees were charged by the management company and trustee for services provided during the year and the balances outstanding from such dues as at year end are as disclosed below:

	Charge for the year ended 31 March		Payable as at 31 March	
	2017 Rs.	2016 Rs.	2017 Rs.	2016 Rs.
Fund management fee	13,924,939	13,801,961	1,179,003	1,026,210
Trustee and Custodian fees	3,364,478	3,269,885	289,188	245,888
The Bank balance held at Deutsche Bank AG as at 31 March			8,142,841	973,539

NAMAL Acuity Value Fund
NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 March 2017

Other transactions with related parties

Investments in Treasury bill/bond repurchase agreements and fixed deposits have been made in the ordinary course of operations with following related parties. The resulting investment income and outstanding investment balances are given below.

	Investment income during the year		Balance as at 31 March	
	2017 Rs.	2016 Rs.	2017 Rs.	2016 Rs.
Investments in Treasury bill repurchase agreements with DFCC Bank PLC - (Shareholder of the Management Company)	1,316,227	614,444	-	-
Investments in Treasury bill repurchase agreements with Union Bank of Colombo PLC - (The Parent Company of the Management Company)	458,363	-	-	-

18. RECONCILIATION BETWEEN THE NET ASSET VALUE AS PER FINANCIAL STATEMENTS AND THE PUBLISHED NET ASSET VALUE

	2017 Rs.	2016 Rs.
Net Asset Value as per Financial Statements	1,362,598,840	1,204,456,672
Income Tax Receivable	(8,548,134)	(7,658,851)
Published Net Asset Value	<u>1,354,050,705</u>	<u>1,196,797,821</u>
Number of units outstanding	10,751,200	10,751,200
Published Net Asset Value per Unit	125.94	111.32

UNIT INFORMATION

Analysis of Unitholders according to the Number of Units as at 31st March 2017

Units Range	No. of Unitholders	No. of Units	Holding %
1-200	252	21,408	0.20
201-1,000	166	105,397	0.98
1,001-2,000	44	76,789	0.71
2,001-4,000	32	99,291	0.92
4,001-6,000	30	161,808	1.51
6,001-8,000	5	36,113	0.34
8,001-10,000	18	175,473	1.63
10,001-20,000	15	212,850	1.98
20,001-40,000	11	296,464	2.76
40,001- & Above	15	9,565,607	88.97
	588	10,751,200	100.00

Categories of Unit Holders	No. of Unitholders	No. of Units	Holding %
Individuals	527	1,814,199	16.87
Company	61	8,937,001	83.13
	588	10,751,200	100.00

Share Price Movement

The market prices during the year	Rs.
Highest Price	93.00
Lowest Price	80.00
Last Traded Price	83.00
Net Asset Value of a unit as at 31st March, 2017	125.94

List of 20 Major Unit Holders based on their unitholdings as at 31st March, 2017

Name	No. of Units	Holding %
Hatton National Bank PLC A/C No 1	3,000,000	27.90
Central Finance Company PLC.	2,744,900	25.53
DFCC Bank PLC A/C No 1	2,112,810	19.65
Mr.A.S Ratnayake	467,841	4.35
Waldock MAckenzieLimited/Mr.K.R.E.M.D.M.B.Jayasundara	300,334	2.79
Hallsville trading Group Inc.	200,000	1.86
Mr.V.Sharda	142,750	1.33
Mr.V.H.D.S.S. Siriwardena	130,000	1.21
Bartleet Religare Securities (Pvt) Ltd.	100,000	0.93
HNB AssurancePLC A/C No 2 (Life Insurance Fund)	80,000	0.74
East West Properties PLC	73,200	0.68
Mrs. G. Muralidaran	58,812	0.55
Mr.M.A.T. Raaymakers	54,960	0.51
Mr.W.K. G.N. Perera	50,000	0.47
Mr.R. Amarasinghe	50,000	0.47
HNB General Insurance Limited	34,400	0.32
Miss. E.K.N. Selvadurai	31,302	0.29
Mr.H.A.Van Starrex	30,490	0.28
Mr.K.S.M.De Silva	29,472	0.26
HSBC INTL NOM LTD-BP2S Jersey - Laytex Partners Ltd.	27,400	0.25

Corporate Information

NATIONAL ASSET MANAGEMENT LIMITED

DIRECTORS

Mr. Alexis Lovell, MBE – Chairman

Mr. Wijenanda Dabawinne

Mr. Indrajit Wickramasinghe

Mr. Malinda Samaratunga

Mr. Suren Madanayake

Ms. Khoo Siew Bee

Mr. Tyrone De Silva

Mr. Palitha Gamage

Mr. Avancka Herat

UNIT TRUST INFORMATION MANAGEMENT COMPANY

National Asset Management Ltd
7th Floor, Union Bank Head Office
64, Galle Road, Colombo 3.

TRUSTEE & CUSTODIAN

Deutsche Bank AG
86 Galle Road, Colombo 3.

AUDITORS

Ernst and Young
Chartered Accountants
201, De Saram Place
Colombo 10.

BANKERS

Union Bank Of Colombo PLC
64, Galle Road, Colombo 3.

Deutsche Bank AG
86, Galle Road, Colombo 3.

LAWYERS

F J & G de Saram
Attorneys-at-Law & Notaries Public
216, De Saram Place, Colombo 10.

Declaration By Trustees And Managing Company

DECLARATION 1

Declaration by Trustee and Management Company as per SEC Circular No: 02/2009 on Guidelines for Trustees and Managing Companies of Unit Trusts Funds.

Deutsche Bank AG, the Trustee and National Asset Management Ltd, the Managers of the **NAMAL Acuity Value Fund** hereby declare that

1. the requirements of the Guidelines for Trustees and Managing Companies of Unit Trust Funds set by the Securities and Exchange Commission of Sri Lanka (SEC), the Trust Deed, the SEC Act, the Explanatory Memorandum, directives issued by the SEC from time to time have been complied with during the period.
2. the transactions were and will be carried out at an arm's length basis and on terms which are best available for the fund, as well as act, at all times, in the best interest of the fund's unit holders.

DECLARATION 2

As per the section 4.3 c (iv) of the Listing Rule of the Colombo Stock Exchange.

Deutsche Bank AG, the Trustee and National Asset Management Ltd, the Managers of the **NAMAL Acuity Value Fund** hereby declare that the requirements of the Trust Deed, the Securities and Exchange Commission of Sri Lanka Act No 36 of 1987, the Explanatory Memorandum, directives issued by the Securities and Exchange Commission from time to time have been complied with and is in compliance.



Director
Management Company



Director
Management Company



Authorised Signatories
Trustee
NAMAL Acuity Value Fund

"The SEC in approving this Annual Report has taken reasonable care to ensure the accuracy of the information included herein. However, National Asset Management Limited is at all times responsible for the information included in this Annual Report"

