

# **NAMAL ACUITY VALUE FUND**

## **Interim Report**

*For the Six months ended 30<sup>th</sup> September 2015*

**National Asset Management Limited**  
**Union Bank Building,**  
**64, Galle Road , Colombo 3.**  
**Phone : 2445911 Fax : 2445903 Email : [info@namal.lk](mailto:info@namal.lk)**

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Dear Investor,

We take pleasure in presenting the interim report of the Namal Acuity Value Fund (NAVF) for the six months ended 30<sup>th</sup> September 2015.

### Performance review

The NAVF generated a return of 7.33% for the six month period under review, outperforming the benchmark All Share Price Index (ASPI) and the S&P Sri Lanka 20 Index (S&P SL20), which gained 3.38% and fell by 0.68%, respectively.

For the period ended September 2015, the Fund's total investment income declined 64.8% YoY to Rs. 98.48m mainly due to lower realized gains and unrealized losses. Interest income declined 2.85% YoY due to the low interest rates prevailing in the market. Furthermore, the drop in dividend income (down 2.9% YoY) also contributed to the decline in investment income. The fund recorded a profit of Rs. 83.9m for the six months under review, a decrease of 68.5% YoY.

### Market Review

The ASPI decreased 3.40% YTD (Jan-Sep 2015) while the S&P SL20 declined 6.43% YTD (Jan-Sep 2015). The average daily turnover dropped to Rs 1,081m during the six months from Rs 1,510m in the comparative period last year. Sri Lankan equity market witnessed a net outflow of Rs. 6.1bn (Apr-Sep 2015) as foreign investors exited emerging markets on the fear of economic slowdown and the US rate hike. Foreign participation stood at 30.6% of turnover for the six month ending September.

Benchmark 12 month Treasury bill auction yields increased by 38 basis points to 7.18% over the six month period under review. CBSL reduced its policy rates by 50bps in April 2015 and accordingly, Standard Deposit Facility and Standing Lending Facility were reduced to 6.00% and 7.00%, respectively. In subsequent monetary policy reviews, CBSL kept policy rates unchanged. Inflationary pressures eased with the CCPI (annual average) declining from 2.5% to 0.7% by September 2015.

On the economic front, the Balance of Payment had deteriorated, with a trade deficit of USD 1.2b in the first seven months of the year, compared to a surplus of USD 2.0b the prior year. Trade deficit widened by 6.0% YoY to USD 4.7b, due to a 1.9% YoY growth in imports and a 0.9% YoY decline in exports. However, earnings from tourism and workers' remittances increased during the period by 16.8% YoY (USD 1.6b) and 1.6% YoY (USD 4.0b), respectively.

### Portfolio composition

The Fund has an 87% allocation to equity, with the remainder in Debentures and Repos.

NAVF's highest equity concentrations are in banks finance and insurance followed by manufacturing sector and diversified holdings sector.

Notable position changes at individual stock level were establishing positions in Dialog, ACL, Softlogic Holdings and Hemas Holdings. We also divested our positions in Asiri Hospitals and Hotel Services (Kingsbury).

Sincerely,  
The Fund Management Team  
15<sup>th</sup> October 2015

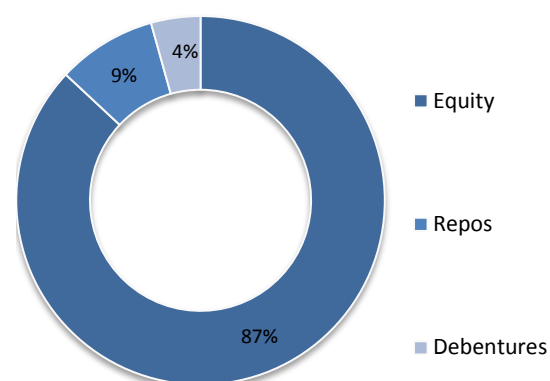
### Performance Comparison

	6M* (%)	12M (%)	24M (%)	36M (%)
ASPI	3.38	-2.78	21.50	18.07
S&P	-0.68	-5.25	19.03	18.06
NAVF	7.33	4.15	45.09	52.30

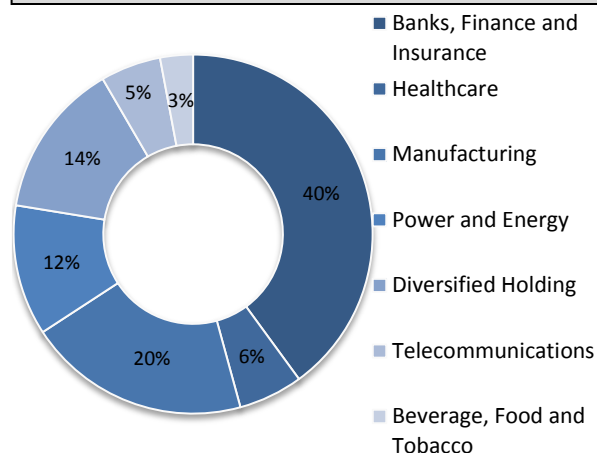
(Non-annualised returns)

\* Six month period ending 30 Sep 2015

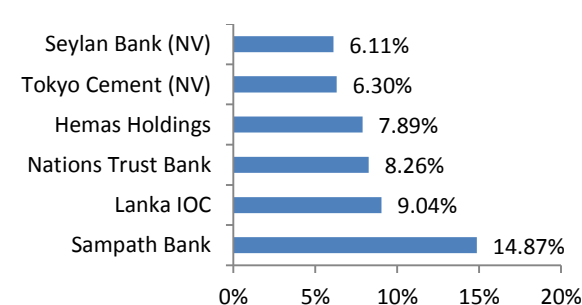
### Asset Allocation



### Sector Allocation



### Top 6 Equity Holdings



\*As a % of total equity holdings

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**STATEMENT OF COMPREHENSIVE INCOME**

**For the 06 month period ended 30th September**

	Note	2015 Rs. Mn.	2014 Rs. Mn.
<b>INVESTMENT INCOME</b>			
Dividend income		28.93	29.80
Interest income	13	7.41	7.63
Net realised gains on financial assets held for trading	9.3	102.63	197.82
Net change in unrealised losses on financial assets held for trading	9.4	(40.49)	44.71
<b>Total Investment Income</b>		98.48	279.95
<b>EXPENSES</b>			
Management and registrar fees		(7.15)	(6.22)
Trustee and custodian fees		(1.69)	(1.50)
Audit fees		(0.11)	(0.11)
Professional charges		-	(5.22)
Other expenses		(5.62)	(0.44)
<b>Total operating expenses</b>		(14.57)	(13.49)
<b>NET OPERATING PROFIT/(LOSS)</b>		83.91	266.46
<b>FINANCE COST</b>			
Distribution to Unit Holders		-	-
Interest expense		(0.00)	(0.01)
<b>PROFIT AFTER DEDUCTIONS AND BEFORE TAX</b>		83.91	266.45
Income tax expense		-	-
<b>PROFIT AFTER TAX FOR THE PERIOD</b>		83.91	266.45
<b>INCREASE IN NET ASSETS ATTRIBUTABLE TO UNIT HOLDERS</b>		83.91	266.45

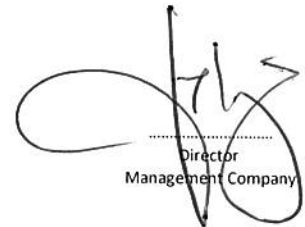
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**STATEMENT OF FINANCIAL POSITION**  
As at 30th September

ASSETS	Note	2015 Rs Mn	2014 Rs Mn
Cash and cash equivalents		0.32	5.28
Financial assets - Held for Trading	9	1,286.46	1,353.39
Financial assets -Loans and Receivables	10	122.59	44.86
Other Receivables	11	4.28	1.39
Income tax recoverable		7.16	6.55
<b>TOTAL ASSETS</b>		<u>1,420.80</u>	<u>1,411.46</u>
<b>UNIT HOLDERS' FUNDS &amp; LIABILITIES</b>			
<b>LIABILITIES</b>			
CDS Payable		-	8.30
Accrued expenses	12	1.55	1.50
Total Liabilities (Excluding net assets attributable to Unit Holders)		1.55	9.79
<b>UNIT HOLDERS' FUNDS</b>			
Net assets attributable to Unit Holders		1,419.25	1,401.67
		<u>1,420.80</u>	<u>1,411.46</u>

Signed on behalf of the Management Company

  
.....  
Director  
Management Company

  
.....  
Director  
Management Company

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**STATEMENT OF CASH FLOWS**

For the 06 month period ended 30th September 2015

	2015 Rs. Mn.	2014 Rs. Mn.
<b>Cash Flows from Operating Activities</b>		
Dividend received	25.23	32.78
Interest received	4.56	7.87
Management fees and Trustee fees paid	(8.97)	(7.49)
Other expenses paid	(1.46)	(5.70)
Taxation paid	(0.01)	(0.38)
<b>Net Cash Flow generated from Operating Activities</b>	<u>19.35</u>	<u>27.09</u>
<b>Cash Flows from Investing Activities</b>		
Cost of investments purchased	(312.27)	(301.18)
Cost of fixed incomes securities purchased/sold	(87.78)	0.21
Sale proceeds from Equity investment	380.13	278.36
<b>Net Cash from Investing Activities</b>	<u>(19.93)</u>	<u>(22.61)</u>
<b>Cash Flows from Financing Activities</b>		
Interest paid on reverse repo borrowings	(0.00)	(0.01)
Cash received on creation of units	-	49.50
Cash paid on redemption of units	-	(49.50)
<b>Net Cash generated from Financing Activities</b>	<u>(0.00)</u>	<u>(0.01)</u>
Net increase in cash and cash equivalents	(0.58)	4.46
Cash and cash equivalents at the beginning of the period	0.90	0.82
<b>Cash and cash equivalents at the end of the period</b>	<u><u>0.32</u></u>	<u><u>5.28</u></u>

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**STATEMENT OF CHANGES IN UNIT HOLDERS' FUNDS**  
For the 06 month period ended 30th September

	<b>2015</b>	<b>2014</b>
	<b>Rs. Mn.</b>	<b>Rs.Mn.</b>
<b>UNIT HOLDER' FUND AT THE BEGINNING OF THE PERIOD</b>	1,335.33	1,135.22
Increase in net assets attributable to unit holders	83.91	266.45
<b>UNIT HOLDERS' FUNDS AT THE END OF THE PERIOD</b>	<u>1,419.25</u>	<u>1,401.67</u>

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**NOTES TO THE FINANCIAL STATEMENTS**

**For the 06 month period ended 30th September 2015**

- 1 All figures are provisional and unaudited. Where necessary comparative figures have been adjusted to confirm with the changes in presentation in the current period.
- 2 Income is recognised on an accrual basis.
- 3 Interest on repurchase agreements is shown together with the applicable notional tax credit which is set off against the income tax payable by the fund.
- 4 The profit and income of the fund is liable for income tax at the rate of 10% for the year of assessment 2015/2016 as specified in part A of the second schedule to the Inland Revenue Act No. 10 of 2006.
- 5 There are no material Contingent Liabilities or contingent Assets which require disclosure in the financial statements.
- 6 No circumstances have arisen since the Balance Sheet date, which would require adjustments or disclosure in the Financial Statements.

**7. Share Price Movement**

The market prices during the 6 months period ended 30 September	<b>2015</b>	<b>2014</b>
Highest Price (Rs.)	116.00	73.50
Lowest Price (Rs.)	90.00	65.20
Last Traded Price (Rs.)	111.10	68.40

8. Net Asset Value of a unit as at September 30 (Rs.)  
(Applicable to 10,751,200 units)
- |  |        |        |
|--|--------|--------|
|  | 131.34 | 105.01 |
|--|--------|--------|

**9 FINANCIAL ASSETS-HELD FOR TRADING**

	<b>2015</b>	<b>2014</b>
	<b>Rs. Mn.</b>	<b>Rs. Mn.</b>
Quoted equity securities (Note 9.1)	1,223.12	1,265.91
Debt Securities-quoted Debentures (Note 9.2)	63.34	87.48
Market Value	<u>1,286.46</u>	<u>1,353.39</u>

**9.1 Quoted Equity Securities**

Cost as at 30.09.2015	1,011.60	989.47
Appreciation/(Depreciation) of market value quoted equity securities	211.52	276.44
	<u>1,223.12</u>	<u>1,265.91</u>

Company	30.09.2015			30.09.2014		
	Number of Shares	Market Value Rs. Mn.	Holdings as a % of Net Asset Value	Number of Shares	Market Value Rs. Mn.	Holdings as a % of Net Asset Value
<b>Banks, Finance and Insurance</b>						
Commercial Bank of Ceylon PLC-V	100,000	15.90	1.13%	-	-	0.00%
Central Finance PLC	186,921	46.73	3.31%	108,499	25.53	1.83%
Union Bank of Colombo Ltd	617,822	13.28	0.94%	495,259	11.39	0.82%
Nations Trust	1,200,000	116.64	8.26%	1,200,000	108.00	7.74%
Sampath Bank	813,009	209.92	14.87%	767,238	185.52	13.30%
Seylan Bank-NV	1,150,000	86.25	6.11%	1,150,000	61.53	4.41%
		<u>488.72</u>	<u>34.62%</u>		<u>391.96</u>	<u>28.09%</u>



<b>Beverages, Food and Tobacco</b>						
Cargills (Ceylon) PLC	-			149,987	24.75	2.28%
Renuka Agri Foods	8,220,240	36.17	2.56%	8,220,240	33.70	2.42%
		<u>36.17</u>	<u>2.56%</u>		<u>58.45</u>	<u>4.70%</u>
<b>Diversified Holdings</b>						
Softlogic Holdings	3,996,497	60.35	4.27%	1,900,000	30.21	2.17%
Hemas Holdings PLC	1,310,000	111.35	7.89%	500,000	30.50	2.19%
		<u>171.70</u>	<u>12.16%</u>		<u>60.71</u>	<u>4.35%</u>
<b>Health Care</b>						
Ceylon Hospitals PLC (Durdans)-NV	800,000	64.40	4.56%	800,000	64.80	4.64%
Ceylon Hospitals PLC (Durdans)-V	54,541	6.49	0.46%	54,541	5.69	0.41%
Asiri				10,665,149	248.50	17.81%
		<u>70.89</u>	<u>5.02%</u>		<u>318.99</u>	<u>22.86%</u>
<b>Hotel and Travels</b>						
Kingsbury				1,650,000	30.20	2.16%
		<u>-</u>	<u>0.00%</u>		<u>30.20</u>	<u>2.16%</u>
<b>Manufacturing</b>						
ACL Cables PLC	750,000	81.30	5.76%	500,000	38.50	2.76%
Tokyo Cement	1,500,000	75.00	5.31%	1,661,737	91.89	6.59%
Tokyo Cement - NV	2,218,863	88.98	6.30%	2,254,450	96.94	6.95%
		<u>245.28</u>	<u>17.37%</u>		<u>227.34</u>	<u>16.29%</u>
<b>Power &amp; Energy</b>						
Laugfs Gas-V	409,000	16.16	1.14%	209,000	8.44	0.61%
Lanka IOC	3,100,000	127.72	9.04%	3,100,000	137.95	9.89%
		<u>143.88</u>	<u>10.18%</u>		<u>146.39</u>	<u>10.49%</u>
<b>Trusts &amp; Investments</b>						
Renuka Holdings		-	-	804,877	31.87	2.28%
		<u>-</u>	<u>-</u>		<u>31.87</u>	<u>2.28%</u>
<b>Telecommunication</b>						
Dialog	6,100,000	66.49	4.71%			
		<u>66.49</u>	<u>4.71%</u>		<u>-</u>	<u>-</u>
<b>Total value of Equity Investments in Quoted Shares (At Market Value)</b>		<b><u>1,223.12</u></b>	<b><u>86.62%</u></b>		<b><u>1,265.91</u></b>	<b><u>91.25%</u></b>

## 9.2 Quoted Debentures

	As at 30.09.2015			As at 30.09.2014		
	Cost	Market Value	Holding as a % of Net Asset value	Cost	Market Value	Holding as a % of Net Asset value
	Rs. Mn.	Rs. Mn.		Rs. Mn.	Rs. Mn.	
Lanka Orix Leasing Co. PLC	-	-	-	20.00	20.90	1.50%
Hatton National bank PLC	3.17	3.46	0.25%	3.17	3.71	0.27%
Central Finance PLC	4.60	4.88	0.35%	4.60	5.10	0.37%
Lion Brewery PLC	10.00	10.78	0.76%	10.00	11.45	0.82%
Softlogic Holdings	25.00	26.86	1.90%	25.00	28.15	2.02%
Hayleys	10.00	10.63	0.75%	10.00	11.12	0.80%
Richard Pieris	3.11	3.28	0.23%	3.11	3.36	0.24%
Hemas Holdings	3.26	3.44	0.24%	3.26	3.68	0.26%
	<u>59.14</u>	<u>63.34</u>	<u>4.48%</u>	<u>79.14</u>	<u>87.48</u>	<u>6.27%</u>

## 9.3 Net realised in gains on financial assets held for trading

	30.09.2015	30.09.2014
Equity securities		
Proceeds on sale of equity shares	358.43	278.39
Average cost of equity share sold	(255.80)	(80.57)
	<u>102.63</u>	<u>197.82</u>

## 9.4 Net change in unrealised gains on financial assets held for trading

	30.09.2015	30.09.2014
Equity securities	(39.51)	42.84
Debt securities-quoted debentures	(0.97)	1.87
	<u>(40.49)</u>	<u>44.71</u>

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**NOTES TO THE FINANCIAL STATEMENTS**

For the 06 month period ended 30th September 2015

**10. FINANCIAL ASSETS - LOANS AND RECEIVABLES**

**10.1 Treasury Bills Repurchase Agreements**

	2015 Rs. Mn.	2014 Rs. Mn.
Wealth Trust Securities Ltd	122.59	42.04
DFCC Vardhana Bank	-	2.82
	<u>122.59</u>	<u>44.86</u>
	<u><b>122.59</b></u>	<u><b>44.86</b></u>

**11. OTHER RECEIVABLES**

	2015 Rs. Mn.	2014 Rs. Mn.
Dividend Receivable	4.28	1.39
	<u>4.28</u>	<u>1.39</u>

**12. ACCRUED EXPENSES**

	2015 Rs. Mn.	2014 Rs. Mn.
Fund management fees payable	1.19	1.13
Trustee fee and Custodian fee payable	0.28	0.27
Audit fee payable	0.08	0.09
	<u>1.55</u>	<u>1.50</u>

**13. INTEREST INCOME**

	06 month period ended 30.09.2015 Rs. Mn.	06 month period ended 30.09.2014 Rs. Mn.
Interest on		
Treasury bill repurchase agreements (Note 11.1)	2.45	1.68
Debentures	4.85	5.38
Savings account	0.10	0.05
Fixed deposits	-	0.51
	<u>7.41</u>	<u>7.63</u>

**13.1** Interest on Treasury Bill Repurchase Agreements and Treasury bills have been accounted for gross of notional tax.

**14. DISTRIBUTION**

The fund announced a dividend of Rs.2.50 per unit on September 28,2015 ,for the period September 1,2014 to August 31,2015.

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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 & Notries Public 216, De Saram Place Colombo 10
Managers & Registrars	National Asset Management Limited (NAMAL) Union Bank Building 64, Galle Road Colombo 03

**National Asset Management Limited**  
**Board of Directors (As of September 30, 2015)**

Mr. Alexis Lovell	Chairman
Mr. Ajith Wijeyasekera	Deputy Chairman
Mr. Indrajit Wickramasinghe	Director
Mr. Palitha Gamage	Director
Mr. Tyrone de Silva	Director
Mr. Malinda Samaratinga	Director
Mr. Suren Madhanayake	Director
Mr. Avancka Herat	Director
Ms. Khoo Siew Bee	Director