

NAMAL GILT FUND

Interim Report

For the Six months ended 30th September 2016

**National Asset Management Limited
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NAMAL GILT FUND
Interim Report 2016

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Dear Investor,

We take pleasure in presenting the interim report of the NAMAL Gilt Fund (NGILT) for the six months ended 30th September 2016.

Performance review

The Gilt Fund generated a return of 4.39% for the six month period under review. The Fund recorded an interest income of Rs. 88.9m and a net operating profit of Rs. 75.7m after tax.

Market Review

The Central Bank adopted a tighter monetary policy stance for 1HFY17 ending its loose monetary policy stance that was initiated in December 2012. In January 2016 the Central Bank revised up the Statutory Reserve Ratio (SRR) by 150bp to 7.5%. This was followed by the Standing Deposit Facility Rate (SDFR) and Standing Lending Facility Rate (SLFR) also being revised up by 100bp each, 50bp in February, followed by a further 50bp in July to end at 7.00% and 8.50% respectively. As a result, short term yield curve displayed an upward shift with the Benchmark 12 month Treasury bill auction yield increasing by 21 basis points to 10.11% over the six month period under review. FI's were net sellers during the period with foreign holdings of government securities as a percentage of total government securities decreasing by 40bp to end at 6.7% as of 30th September 2016 from 7.1% in December 2015.

On the economic front, the Balance of Payment improved recording a surplus of USD 356.0m in the first seven months of the year, compared to a deficit of USD 1.2b the prior year. Trade deficit widened by 0.7% to USD 4.8b, owing to a 5.6% YoY drop in export, which was partially offset by a 2.9% decline in imports. However, earnings from tourism and workers' remittances increased during the period by 16.7% YoY (USD 1.9b) and 3.8% YoY (USD 4.2b), respectively.

Portfolio composition

As at 30 September 2016, the Fund had a 100% allocation to repos.

Sincerely,

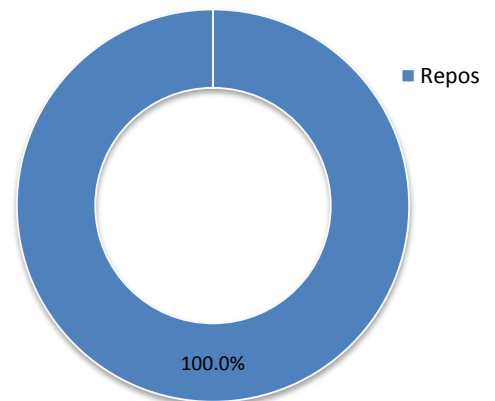
The Fund Management Team
15th November 2016

Performance Comparison

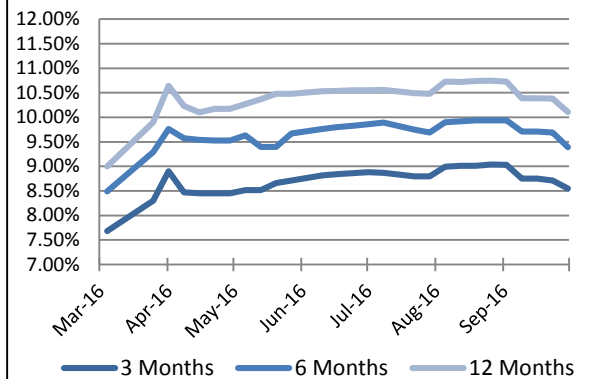
	YTD* (%)	3M (%)	6M (%)
NGILT	8.19	9.13	8.95

*31 Dec 2015 – 30th September 2016
*Annualised returns

Asset Allocation

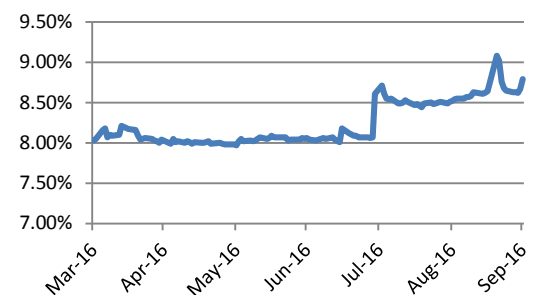


Treasury Bill Rates



Source: Central Bank of Sri Lanka

Daily Repurchase Rate



Source: Central Bank of Sri Lanka

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STATEMENT OF COMPREHENSIVE INCOME
For the six month period ended September

	Notes	2016 Rs.Mn	2015 Rs.Mn
INVESTMENT INCOME			
Interest income	10.1	88.86	42.73
Total investment income		<u>88.86</u>	<u>42.73</u>
EXPENSES			
Management and Registrar fees		(3.13)	(2.22)
Trustee and Custodian fees		(1.61)	(1.17)
Audit fee and expenses		(0.03)	(0.07)
Other expenses		(0.01)	(0.01)
Total operating expenses		<u>(4.78)</u>	<u>(3.46)</u>
Net operating profit		84.08	39.27
FINANCE COST			
Interest expense		-	-
Distribution to Unit Holders		-	-
PROFIT AFTER DEDUCTIONS AND BEFORE TAX		84.08	39.27
Income tax expense		(8.41)	(3.93)
PROFIT AFTER DISTRIBUTIONS AND TAX		<u>75.67</u>	<u>35.34</u>
INCREASE IN NET ASSETS ATTRIBUTABLE TO UNIT HOLDERS		75.67	35.34

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STATEMENT OF FINANCIAL POSITION
As at 30th September

	Notes	2016 Rs.Mn	2015 Rs.Mn
ASSETS			
Cash and cash equivalents		0.86	1.60
Financial assets - Loans and receivable	8	1,788.25	1,660.37
Other receivable		-	0.01
Income tax recoverable		1.61	0.67
Total assets		1,790.73	1,662.65
 UNIT HOLDERS' FUNDS & LIABILITIES			
LIABILITIES			
Accrued expenses	9	0.85	0.77
Total liabilities (Excluding net assets attributable to Unit Holders)		0.85	0.77
 UNIT HOLDERS' FUNDS			
Net assets attributable to Unit Holders		1,789.88	1,661.88
		1,790.73	1,662.65

Signed on behalf of the Management Company



 Director
Management Company



 Director
Management Company

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Statement of Movements in Unitholder's Fund
For the six month period ended September

	2016 Rs.Mn	2015 Rs.Mn
UNIT HOLDERS' FUNDS AT THE BEGINNING OF THE YEAR	1,714.28	1,126.20
Increase in net assets attributable to unit holders	75.67	35.34
Received on unit creations	8,783.98	500.77
Payments on unit redemptions	(8,784.05)	(0.42)
UNIT HOLDERS' FUNDS AT THE END OF THE YEAR	<u>1,789.88</u>	<u>1,661.88</u>

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NOTES TO THE FINANCIAL STATEMENTS

For the 06 month period ended 30th September

- 1 All figures are provisional and unaudited. Where necessary comparative figures have been adjusted to confirm with the changes in presentation in the current period.
- 2 Income is recognised on 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 2016/2017 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.

	2016	2015
7. Net Asset Value per unit as at September 30 (Rs.)	11.37	10.56
No of Units as at 30th september	157,144,271.60	157,190,483.20

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NOTES TO THE FINANCIAL STATEMENTS

For the 06 month period ended 30th September

	2016	2015
	Rs.Mn	Rs.Mn
8. FINANCIAL ASSETS - LOANS AND RECEIVABLES		
8.1 T-Bill Repurchase agreements		
Commercial Bank	1763.47	1,660.37
Union Bank of Colombo PLC	24.78	-
	<u>1,788.25</u>	<u>1,660.37</u>
8.2 Other Receivable		
Receivable on unit creation	-	0.01
	<u>-</u>	<u>0.01</u>
9 ACCRUED EXPENSES	2016	2015
	Rs.Mn	Rs.Mn
Fund manager and Registrar fee payable	0.52	0.47
Trustee and Custodian fee payable	0.27	0.24
Audit fee	0.06	0.06
	<u>0.85</u>	<u>0.77</u>
10 INVESTMENT INCOME	2016	2015
	Rs.Mn	Rs.Mn
10.1 Interest income on,		
Interest on Treasury bill repurchase agreements (12.2)	88.85	42.71
Interest on saving accounts	0.01	0.02
	<u>88.86</u>	<u>42.73</u>

10.2 Interest income on Treasury bill repurchase agreements has been recognised gross of notional taxes.

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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 (30th September 2016)

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