

# **NAMAL ACUITY VALUE FUND**

## **Interim Report**

*For the Six months ended 30<sup>th</sup> September 2016*

**National Asset Management Limited**  
**Union Bank Building,**  
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*Interim Report 2016*

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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 30th September 2016.

### Performance review

The NAVF generated a return of 21.8% 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) by 14.1% and 8.9%, respectively.

For the six month period ended September 2016, the Fund's total investment income increased 178.4% YoY to Rs. 274.2m, largely driven by Rs. 206.7m of net change in unrealized gains on financial asset held for trading (compared to a loss of Rs. 40.5m in September 2015). This was further supported by a 66.1% YoY increase in dividend income to Rs. 48.0m and a 23.6% YoY increase in interest income to Rs. 9.2m. The fund reported a profit of Rs. 262.0m for the six months under review, an increase of Rs. 178.0m.

### Market Review

The ASPI increased 7.6% to 6,534.8, while the S&P SL20 rose 12.9% to 3,617.3 during the six month period (Apr-Sep 2016). The average daily turnover dropped to Rs 748.2m from Rs 1,084.3m in the comparative period last year. Sri Lankan equity market witnessed a net outflow of Rs. 1.0bn (Apr-Sep 2016) as foreign investors exited due to policy uncertainty and expectation of US rate hike. Foreign participation stood at 37.1% of turnover for the six month ending September.

Benchmark 12 month Treasury bill auction yields increased by 21 basis points to 10.11% over the six month period under review. CBSL increased its policy rates by 50bps in July 2016 and accordingly, Standard Deposit Facility and Standing Lending Facility were increased to 7.00% and 8.50%, respectively. In subsequent monetary policy reviews, CBSL kept policy rates unchanged.

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

The Fund has a 93% allocation to equity, with the remainder in Debentures, Commercial Papers and Repos.

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

Sincerely,  
The Fund Management Team  
19<sup>th</sup> October 2016

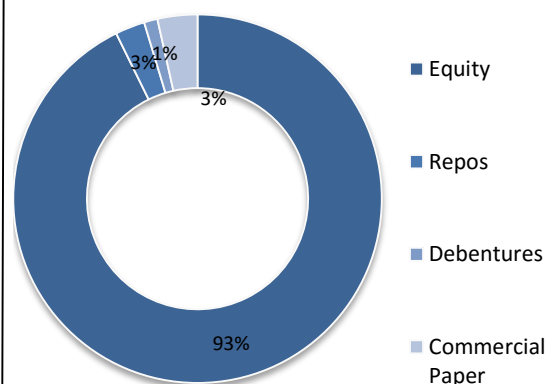
### Performance Comparison

	6M* (%)	12M (%)	24M (%)	36M (%)
ASPI	7.62	-7.32	-9.89	12.60
S&P	12.88	-5.46	-10.42	12.54
NAVF	21.76	5.27	8.58	51.26

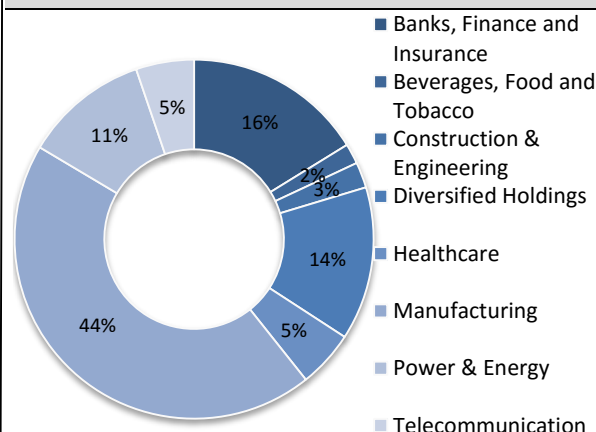
(Non-annualised returns)

\* Six month period ending 30 Sep 2016

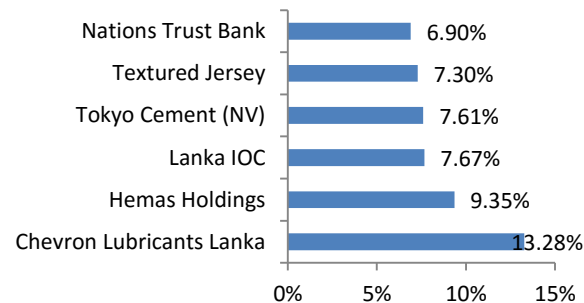
### Asset Allocation



### 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**

	<b>Note</b>	<b>2016 Rs. Mn.</b>	<b>2015 Rs. Mn.</b>
<b>INVESTMENT INCOME</b>			
Dividend income		48.05	28.93
Interest income	13	9.16	7.41
Net realised gains on financial assets held for trading	9.3	10.30	102.63
Net change in unrealised losses on financial assets held for trading	9.4	206.69	(40.49)
<b>Total Investment Income</b>		274.19	98.48
<b>EXPENSES</b>			
Management and registrar fees		(6.85)	(7.15)
Trustee and custodian fees		(1.64)	(1.69)
Audit fees		(0.10)	(0.11)
Other expenses		(3.64)	(5.62)
<b>Total operating expenses</b>		(12.23)	(14.57)
<b>NET OPERATING PROFIT/(LOSS)</b>		261.96	83.91
<b>FINANCE COST</b>			
Distribution to Unit Holders		-	-
Interest expense		-	(0.00)
		-	(0.00)
<b>PROFIT AFTER DEDUCTIONS AND BEFORE TAX</b>		261.96	83.91
Income tax expense		-	-
<b>PROFIT AFTER TAX FOR THE PERIOD</b>		261.96	83.91
<b>INCREASE IN NET ASSETS ATTRIBUTABLE TO UNIT HOLDERS</b>		261.96	83.91

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**STATEMENT OF FINANCIAL POSITION**

As at 30th September

<b>ASSETS</b>	<b>Note</b>	<b>2016 Rs Mn</b>	<b>2015 Rs Mn</b>
Cash and cash equivalents		2.04	0.32
Financial assets - Held for Trading	9	1,369.39	1,286.46
Financial assets -Loans and Receivables	10	82.99	122.59
Other Receivables	11	5.32	4.28
Income tax recoverable		8.23	7.16
<b>TOTAL ASSETS</b>		<u><u>1,467.98</u></u>	<u><u>1,420.80</u></u>
 <b>UNIT HOLDERS' FUNDS &amp; LIABILITIES</b>			
<b>LIABILITIES</b>			
Accrued expenses	12	<u>1.56</u>	<u>1.55</u>
Total Liabilities (Excluding net assets attributable to Unit Holders)		1.56	1.55
 <b>UNIT HOLDERS' FUNDS</b>			
Net assets attributable to Unit Holders		1,466.42	1,419.25
		<u><u>1,467.98</u></u>	<u><u>1,420.80</u></u>

Signed on behalf of the Management Company

  
 .....  
 Director  
**Management Company**

  
 .....  
 Director  
**Management Company**

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STATEMENT OF CHANGES IN UNIT HOLDERS' FUNDS

For the 06 month period ended 30th September

	<b>2016</b> <b>Rs. Mn.</b>	<b>2015</b> <b>Rs.Mn.</b>
<b>UNIT HOLDER' FUND AT THE BEGINNING OF THE PERIOD</b>	1,204.46	1,335.33
Increase in net assets attributable to unit holders	261.96	83.91
<b>UNIT HOLDERS' FUNDS AT THE END OF THE PERIOD</b>	<u>1,466.42</u>	<u>1,419.25</u>

**NAMAL ACUITY VALUE FUND**  
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**NOTES TO THE FINANCIAL STATEMENTS**

**For the 06 month period ended 30th September 2016**

- 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.

**7. Share Price Movement**

	<b>2016</b>	<b>2015</b>
The market prices during the 6 months period ended 30 September		
Highest Price (Rs.)	90.00	116.00
Lowest Price (Rs.)	80.10	90.00
Last Traded Price (Rs.)	85.20	111.10

	<b>2016</b>	<b>2015</b>
<b>8. Net Asset Value of a unit as at September 30 (Rs.)</b>	135.63	131.34
(Applicable to 10,751,200 units)		

**9 FINANCIAL ASSETS-HELD FOR TRADING**

	<b>2016</b>	<b>2015</b>
	<b>Rs. Mn.</b>	<b>Rs. Mn.</b>
Quoted equity securities (Note 9.1)	1,352.20	1,223.12
Debt Securities-quoted Debentures (Note 9.2)	17.19	63.34
Market Value	<u>1,369.39</u>	<u>1,286.46</u>

**9.1 Quoted Equity Securities**

Cost as at 30.09.2016	1,118.12	1,011.60
Appreciation/(Depreciation) of market value quoted equity securities	234.09	211.52
	<u>1,352.20</u>	<u>1,223.12</u>

<b>Company</b>	<b>30.09.2016</b>			<b>30.09.2015</b>		
	<b>Number of Shares</b>	<b>Market Value Rs. Mn.</b>	<b>Holdings as a % of Net Asset Value</b>	<b>Number of Shares</b>	<b>Market Value Rs. Mn.</b>	<b>Holdings as a % of Net Asset Value</b>
<b>Banks, Finance and Insurance</b>						
Commercial Bank of Ceylon PLC-V	-	-	-	100,000	15.90	1.13%
Central Finance PLC	386,303	44.42	3.05%	186,921	46.73	3.31%
Union Bank of Colombo Ltd	-	-	-	617,822	13.28	0.94%
Nations Trust Bank	1,200,000	100.68	6.90%	1,200,000	116.64	8.26%
Sampath Bank	-	-	-	813,009	209.92	14.87%
Seylan Bank-NV	1,150,000	74.06	5.08%	1,150,000	86.25	6.11%
		<u>219.16</u>	<u>15.03%</u>		<u>488.72</u>	<u>34.62%</u>

<b>Beverages, Food and Tobacco</b>						
Renuka Agri Foods	8,220,240	24.66	1.69%	8,220,240	36.17	2.56%
		<u>24.66</u>	<u>1.69%</u>		<u>36.17</u>	<u>2.56%</u>
<b>Construction &amp; Engineering</b>						
Access Engineering	1,144,821	31.25	2.14%	-	-	-
		<u>31.25</u>	<u>2.14%</u>		<u>-</u>	<u>-</u>
<b>Diversified Holdings</b>						
Softlogic Holdings	3,396,497	50.61	3.47%	3,996,497	60.35	4.27%
Hemas Holdings PLC	1,310,000	136.37	9.35%	1,310,000	111.35	7.89%
		<u>186.98</u>	<u>12.82%</u>		<u>171.70</u>	<u>12.16%</u>
<b>Health Care</b>						
Ceylon Hospitals PLC (Durdans)-NV	800,000	64.00	4.39%	800,000	64.40	4.56%
Ceylon Hospitals PLC (Durdans)-V	54,541	5.45	0.37%	54,541	6.49	0.46%
		<u>69.45</u>	<u>4.76%</u>		<u>70.89</u>	<u>5.02%</u>
<b>Manufacturing</b>						
ACL Cables PLC	1,500,000	97.05	6.66%	750,000	81.30	5.76%
Tokyo Cement	1,500,000	90.00	6.17%	1,500,000	75.00	5.31%
Tokyo Cement - NV	2,218,863	110.94	7.61%	2,218,863	88.98	6.30%
Chevron Lubricant Lanka PLC	1,160,000	193.72	13.28%	-	-	-
Textured Jersey Lanka LTD	2,250,000	106.43	7.30%	-	-	-
		<u>598.14</u>	<u>41.02%</u>		<u>245.28</u>	<u>17.37%</u>
<b>Power &amp; Energy</b>						
Laugfs Gas-V	1,139,563	39.88	2.74%	409,000	16.16	1.14%
Lanka IOC	3,100,000	111.91	7.67%	3,100,000	127.72	9.04%
		<u>151.79</u>	<u>10.41%</u>		<u>143.88</u>	<u>10.18%</u>
<b>Telecommunication</b>						
Dialog	6,100,000	70.76	4.85%	6,100,000	66.49	4.71%
		<u>70.76</u>	<u>4.85%</u>		<u>66.49</u>	<u>4.71%</u>
<b>Total value of Equity Investments in Quoted Shares (At Market Value)</b>		<b><u>1,352.20</u></b>	<b><u>92.72%</u></b>		<b><u>1,223.12</u></b>	<b><u>86.62%</u></b>

## 9.2 Quoted Debentures

	As at 30.09.2016			As at 30.09.2015		
	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	-	-	-	-	-	-
Hatton National bank PLC	3.17	3.32	0.23%	3.17	3.46	0.25%
Central Finance PLC	-	-	-	4.60	4.88	0.35%
Lion Brewery PLC	7.00	7.30	0.50%	10.00	10.78	0.76%
Softlogic Holdings	-	-	-	25.00	26.86	1.90%
Hayleys	-	-	-	10.00	10.63	0.75%
Richard Pieris	3.11	3.25	0.22%	3.11	3.28	0.23%
Hemas Holdings	3.26	3.31	0.23%	3.26	3.44	0.24%
	<u>16.54</u>	<u>17.19</u>	<u>1.18%</u>	<u>59.14</u>	<u>63.34</u>	<u>4.48%</u>

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

	30.09.2016	30.09.2015
Equity securities		
Proceeds on sale of equity shares	148.78	358.43
Average cost of equity share sold	(138.49)	(255.80)
	<u>10.30</u>	<u>102.63</u>

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

	30.09.2016	30.09.2015
Equity securities	206.58	(39.51)
Debt securities-quoted debentures	0.11	(0.97)
	<u>206.69</u>	<u>(40.49)</u>



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**NOTES TO THE FINANCIAL STATEMENTS**

For the 06 month period ended 30th September 2016

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

**10.1 Treasury Bills Repurchase Agreements**

	2016 Rs. Mn.	2015 Rs. Mn.
Wealth Trust Securities Ltd	-	122.59
DFCC Vardhana Bank	32.00	-
	32.00	122.59

**10.2 Investment in Commercial Papers**

Softlogic Holdings PLC	50.99	-
	50.99	-
	82.99	122.59

**11. OTHER RECEIVABLES**

	2016 Rs. Mn.	2015 Rs. Mn.
Dividend Receivable	5.32	4.28
	5.32	4.28

**12. ACCRUED EXPENSES**

	2016 Rs. Mn.	2015 Rs. Mn.
Fund management fees payable	1.20	1.19
Trustee fee and Custodian fee payable	0.28	0.28
Audit fee payable	0.08	0.08
	1.56	1.55

**13. INTEREST INCOME**

	06 month period ended 30.09.2016 Rs. Mn.	06 month period ended 30.09.2015 Rs. Mn.
Interest on		
Treasury bill repurchase agreements (Note 11.1)	1.27	2.45
Debentures	3.40	4.85
Savings account	0.06	0.10
Commercial Paper	4.43	-
	9.16	7.41

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

**14. DISTRIBUTION**

The fund has not announced an income distribution during the quarter ended September 30, 2016.

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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 (30<sup>th</sup> September 2016)**

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