

NAMAL EQUITY FUND

Interim Report

For the Six months ended 30th September 2016

National Asset Management Limited
Union Bank Building,
64, Galle Road, Colombo03.
Phone : 2445911 Fax : 2445903 Email : info@namal.lk

NATIONAL EQUITY FUND
Interim Report 2015

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Dear Investor,

We take pleasure in presenting the interim report of the Namal Equity Fund (NEF) for the six months ended 30th September 2016.

Performance Review

The NEF generated a return of 20.0% 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 12.4% and 7.1%, respectively.

For the period ended September 2016, the Fund's total investment income increased by Rs. 307.8m to Rs. 453.7m, largely driven by a net unrealised gain of Rs. 359.2m on financial assets held for trading. This was further supported by a 44.5% YoY increase in interest income and 37.5% YoY increase in dividend income. The fund recorded a profit of Rs. 424.5m for the six months under review, an increase of 278.2% YoY.

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 performance was driven by improved market sentiment subsequent to positive developments on fiscal front (with the USD 1.5b loan facility from IMF) and encouraging earnings during the second quarter of 2016. However, the equity market witnessed a net outflow of Rs. 1.0bn (Apr-Sep 2016) as foreign investors exited due to policy uncertainty (possible reimplementing of capital gains tax) and expectation of US rate hike. The average daily turnover dropped to Rs 748.2m from Rs 1,084.3m in the comparative period last year. 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 an 81% allocation to equity, with the remainder in commercial papers, debentures and repos.

NEF's highest equity concentrations are in Capital Goods sector (24%) followed by Materials (15%) and Diversified Financials (12%).

Sincerely,
The Fund Management Team
15th November 2016

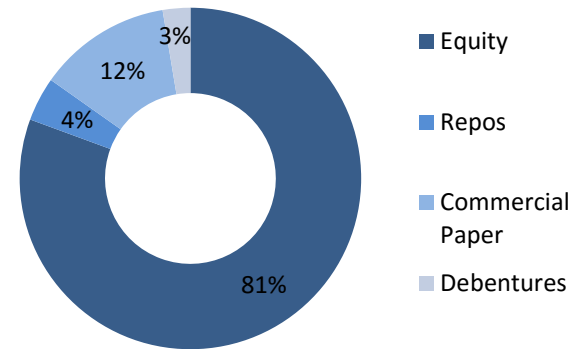
Performance Comparison

	6M* (%)	12M (%)	24M (%)	36M (%)
ASPI	7.62	-7.32	-9.89	12.60
S&P	12.88	-5.46	-10.42	12.54
NEF	19.97	5.95	7.23	41.80

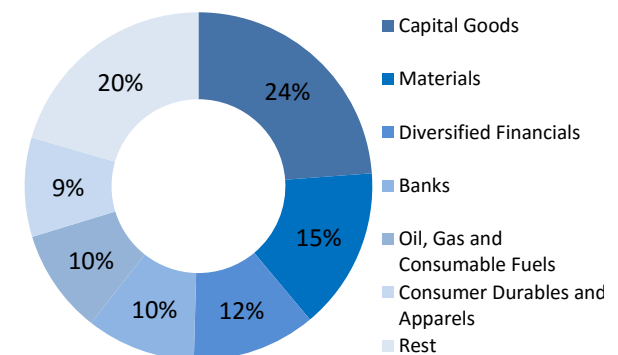
(Non-annualised returns)

* Six month period ending 30 Sep 2016

Asset Allocation



Sector Allocation



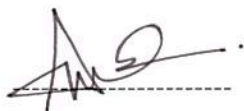
National Equity Fund

STATEMENT OF FINANCIAL POSITION

As at 30 September

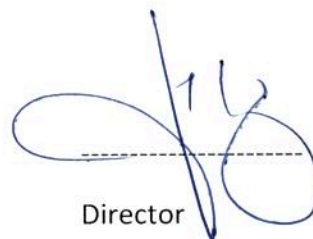
	Notes	2016 Rs.	2015 Rs.
ASSETS			
Cash and cash equivalents		6.91	7.88
Financial assets - Held for trading	1	2,116.01	2,021.26
Financial assets - Loans and receivables	2	426.31	441.89
Accrued income and other receivables	4	10.04	6.24
Income tax recoverable		38.35	33.57
Total assets		<u>2,597.62</u>	<u>2,510.84</u>
UNIT HOLDERS' FUNDS & LIABILITIES			
LIABILITIES			
Accrued expenses	5	12.42	13.32
Total Liabilities (Excluding net assets attributable to Unit Holders)		<u>12.42</u>	<u>13.32</u>
UNIT HOLDERS' FUNDS			
Net assets attributable to Unit Holders		2,585.20	2,497.52
		<u>2,597.62</u>	<u>2,510.84</u>

Signed on behalf of the Management Company



Director

Management Company



Director

Management Company

National Equity Fund

STATEMENT OF COMPREHENSIVE INCOME

For the Six month period ended 30 September

	Notes	2016 Rs.	2015 Rs.
INVESTMENT INCOME			
Dividend income	6.1	54.47	40
Interest income	6.2	33.60	23
Net realised (losses)/gains on financial assets held for trading	1.3	6.42	241
Net change in unrealised gains/(losses) on financial assets held for trading	1.4	359.24	-158
Total investment income		<u>453.74</u>	<u>145.98</u>
EXPENSES			
Management and Registrar fees		(21.16)	(21.11)
Trustee fees		(2.66)	(2.68)
Audit fee and expenses		(0.23)	(0.29)
Bank charges		(0.03)	(0.02)
Professional charges		(0.38)	(0.04)
Other expenses		(1.94)	(1.39)
Brokerage Expense		(2.80)	(8.21)
Total operating expenses		<u>(29.20)</u>	<u>(33.73)</u>
Net operating profit/(loss)		424.54	112.25
FINANCE COST			
Interest expense		-	(0.01)
Distribution to unit holders			
PROFIT/(LOSS) AFTER DEDUCTIONS AND BEFORE TAX		<u>424.54</u>	<u>112.25</u>
Income tax expense	7	-	-
PROFIT/(LOSS) AFTER DISTRIBUTIONS AND TAX		<u>424.54</u>	<u>112.25</u>
INCREASE/(DECREASE) IN NET ASSETS ATTRIBUTABLE TO UNIT HOLDERS		<u>424.54</u>	<u>112.25</u>

National Equity Fund

STATEMENT OF CHANGES IN UNITHOLDERS' FUNDS

For the Six month period ended 30 September

	2016	2015
	Rs.	Rs.
UNIT HOLDERS' FUNDS AT THE BEGINNING OF THE YEAR	2,190.39	2,325.24
Increase/ (decrease) in net assets attributable to Unit Holders	424.54	112.25
Received on unit creations	67.52	131.11
Payments on unit redemptions	(97.26)	(71.08)
Income distribution to unit holders	-	-
UNIT HOLDERS' FUNDS AT THE END OF THE YEAR	<u>2,585.20</u>	<u>2,497.52</u>

National Equity Fund

Interim Report 2016

Notes To the Accounts

For the period ended 30th September 2016

NOTES TO THE ACCOUNTS

1

All figures are audited. Where necessary comparative figures have been adjusted to confirm with the changes in presentation in the current period.

2 Income is recognised on 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	2016	2015
Net Assets Value per Unit	35.39	34.84
No. of units as at 30th September	71,954,528.4	71,334,017.60

National Equity Fund

NOTES TO THE FINANCIAL STATEMENTS

For the Six month period ended 30 September

1 FINANCIAL ASSETS - HELD FOR TRADING			2016'	2015'		
			Rs.	Rs.		
Quoted equity securities (5.1)			2,050	1,915.66		
Debt securities - quoted debentures (5.2)			66	105.60		
Treasury bill			-	-		
			<u>2,116</u>	<u>2,021.26</u>		
1.1 Quoted equity securities						
Cost as at 30 Sep			1,611	1,545.70		
Appreciation/(depreciation) of market value quoted equity securities			438	369.97		
Market Value as at 30 Sep			<u>2,050</u>	<u>1,915.66</u>		
1.1.1 Company						
	2,016			2,015		
	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
Banks, Finance and Insurance						
Central Finance Company PLC	2,049,373	235.68	9%	991,632	247.91	10%
Hatton National Bank PLC - Non Voting	300,000	57.15	2%	-	-	-
Commercial Bank of Ceylon PLC - Voting	-	-	-	-	-	-
People's Leasing & Finance Company PLC (previously named as Peoples' Leasing Company PLC)	-	-	-	-	-	-
Nations Trust PLC	842,134	70.66	3%	842,134	81.86	3%
Sampath Bank PLC	-	-	-	615,731	158.98	6%
Selan Bank Non Voting	1,253,265	80.71	3%	1,253,265	93.99	4%
		<u>444.20</u>	<u>17%</u>		<u>582.74</u>	<u>23%</u>
Beverages, Food and Tobacco						
Sunshine Holdings				1,095,149	63.85	3%
Nestle Lanka	-	-	-	15,404	32.33	1%
Cargills	-	-	-	-	-	-
Renuka Agri Foods PLC	8,955,580	26.87	1%	8,955,580	39.40	2%
		<u>26.87</u>	<u>1%</u>		<u>135.58</u>	<u>5%</u>
Chemicals and Pharmaceuticals						
CIC Holdings PLC		-	-		-	-
		<u>-</u>	<u>-</u>		<u>-</u>	<u>-</u>
Health Care						
Ceylon Hospitals PLC (Durdans) Voting	997,019	99.70	4%	997,019	118.65	5%
Ceylon Hospitals PLC (Durdans) - Non Voting	481,000	38.48	1%	481,000	38.72	2%
Asiri Hospitals PLC	-	-	-	-	-	-
		<u>138.18</u>	<u>5%</u>		<u>157.37</u>	<u>7%</u>
Hotels and Travels						
Aitken Spence Hotel Holdings PLC	-	-	-	-	-	-
Hotel Services (Ceylon) PLC	-	-	-	-	-	-
Free Lanka Capital Holdings	-	-	-	-	-	-
		<u>-</u>	<u>-</u>		<u>-</u>	<u>-</u>
Manufacturing						
ACL Cables PLC	2,264,314	146.50	6%	1,059,157	114.81	5%
Tokyo Cement Company Lank PLC - Voting	3,000,000	180.00	7%	3,000,000	150.00	6%
Tokyo Cement Company Lank PLC - Non Voting	2,591,100	129.56	5%	2,951,100	103.90	4%
Textured Jercy	4,000,000	189.20	7%	4,000,000	126.00	5%
Chevron Lubricant	970,000	6161.99	6%	220,000	81.40	3%

Alumex PLC	-	-	-	-	-	-
		<u>807.25</u>	<u>31%</u>		<u>576.11</u>	<u>23%</u>
Plantation						
Kegalle Plantations PLC	-	-	-	-	-	-
		<u>-</u>	<u>-</u>		<u>-</u>	<u>-</u>
Investment Trusts						
Renuka Holdings PLC	-	-	-	-	-	-
		<u>-</u>	<u>-</u>		<u>-</u>	<u>-</u>
Power and Energy						
Laugfs Gas PLC - Non Voting	263,000	9.13	0%			
Laugfs Gas PLC	1,318,182	46.14	2%	1,318,182	52.07	2%
Lanka IOC	3,975,000	143.50	6%	3,975,000.00	163.77	7%
		<u>198.77</u>	<u>7%</u>		<u>215.84</u>	<u>9%</u>
Diversified Holdings						
Hemas Holdings	2,405,000	250.36	10%	2,405,000	204.43	8%
CT Holding	-	-	-	-	-	-
		<u>250.36</u>	<u>10%</u>		<u>204.43</u>	<u>8%</u>
Telecommunication						
Dialog Axiata PLC	8,000,000	92.80	4%	4,000,000	43.60	2%
		<u>92.80</u>	<u>4%</u>		<u>43.60</u>	<u>2%</u>
Construction & Engineering						
Access Engineering PLC	3,350,000.00	91.46	4%	-	-	-
		<u>91.46</u>	<u>4%</u>		<u>-</u>	<u>-</u>
Total value of quoted equity securities in (At Market Value)		<u>2,050</u>	<u>79%</u>		<u>1,915.66</u>	<u>77%</u>

National Equity Fund

NOTES TO THE FINANCIAL STATEMENTS

For the Six month period ended 30 September

1 FINANCIAL ASSETS - HELD FOR TRADING (contd.)

1.2 Quoted debentures

	2016			2015		
	Cost Rs.	Market Value Rs.	Holding as a % of Net Asset Value	Cost Rs.	Market Value Rs.	Holding as a % of Net Asset Value
Lion Brewery PLC	-	-	-	13.50	14	1%
Lion Brewery PLC	13.50	14.08	1%	13.50	15	1%
Lion Brewery PLC	18.00	18.79	1%	18.00	20	1%
Access Engineering PLC	25.00	24.23	1%	-	-	-
Haylys PLC	-	-	-	45.00	48	2%
Richard Pieris	4.51	4.71	0%	4.51	5	0%
Hemas Holdings	4.26	4.33	0%	4.26	4	0%
	<u>65.27</u>	<u>66.14</u>	<u>3%</u>	<u>98.77</u>	<u>105.60</u>	<u>5%</u>

1.3 Net realised (losses)/gains on financial assets held for trading

	2016 Rs.	2015 Rs.
Equity securities		
Proceeds on sale of equity shares	71.36	577.47
Average cost of equity shares sold	(64.94)	(336.65)
	<u>6.42</u>	<u>240.82</u>

1.4 Net change in unrealised gains/(losses) on financial assets held for trading

	2016 Rs.	2015 Rs.
Equity securities	357.43	(155.87)
Debt securities	1.81	(1.85)
	<u>359.24</u>	<u>(157.72)</u>

2 FINANCIAL ASSETS - LOANS AND RECEIVABLES

2.1 Investments in commercial papers

	2016		2015	
	Carrying Value Rs.	Holding as a % of Net Asset Value	Carrying Value Rs.	Holding as a % of Net Asset Value
Hayieys PLC	-	-	-	-
Peoples Leasing and Finance Co. PLC	-	-	-	-
Softlogic Holdings PLC	190.22	7%	-	-
First Capital Treasuries Limited	129.97	5%	-	-
	<u>320.19</u>	<u>12%</u>	<u>-</u>	<u>-</u>

2.2 Repurchase agreements

Wealth Trust Securities Limited	106.12	4%	66.07	3%
First Capital Treasuries Limited	-	-	-	-
DFCC Vardana Bank	-	-	47.05	2%
DFCC Vardana Bank	-	-	-	-
DFCC Vardana Bank	-	-	-	-
Commercial Bank PLC	-	-	328.77	13%
	<u>106.12</u>	<u>4%</u>	<u>441.89</u>	<u>18%</u>

2.3 Placements with other banks - fixed deposits

Union Bank of Colombo PLC	-	-	-	-
Union Bank of Colombo PLC	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>426.31</u>	<u>16%</u>	<u>441.89</u>	<u>18%</u>

3 FAIR VALUE OF FINANCIAL INSTRUMENTS

Determination of fair value and fair value hierarchy

SLFRS 7 *Financial Instruments: Disclosures* require fair value measurements to be disclosed by the source of inputs, using a three level hierarchy. The hierarchy for measuring fair value consists of Levels 1 to 3:

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

As at 31 March 2016	Level 1 Rs.	Level 2 Rs.	Level 3 Rs.	Total Rs.
Financial assets - held for trading				
Quoted equity investments	2,050	-	-	2,050
Quoted debentures	-	66	-	66

As at 30 September 2015

Financial assets - held for trading				
Quoted equity investments	1,916	-	-	1,916
Quoted debentures	-	106	-	106

4 ACCRUED INCOME AND OTHER RECEIVABLES

	2016 Rs.	2015 Rs.
Dividend receivable	6.40	5.05
Receivable on unit creations	3.64	1.19
	<u>10.04</u>	<u>6.24</u>

5 ACCRUED EXPENSES

	2016 Rs.	2015 Rs.
Fund management and registrar fee payable	10.85	10.75
Trustee fee payable	1.35	1.47
Audit fee	0.19	0.18
Payable on unit redemptions	0.03	0.92
Dividend payable	-	-
Other payable	-	-
	<u>12.42</u>	<u>13.32</u>

	2016	2015
	Rs.	Rs.
6.1 Dividend income	54.47	39.62
6.2 Interest income		
Interest on Treasury bill repurchase agreements (6.2.1)	9.35	15.07
Interest on fixed deposits	-	-
Interest on treasury bonds(6.2.1)		
Interest on commercial papers	17.99	-
Interest on debentures	6.10	7.95
Interest on savings account	0.16	0.22
Interest on Treasury bill (6.2.1)	-	-
	<u>33.60</u>	<u>23.25</u>

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

7 TAXATION

	2016	2015
	Rs.	Rs.
7.1 Tax expense for the year	-	-
	<u>-</u>	<u>-</u>

National Equity Fund
Interim Report 2016

CORPORATE INFORMATION

Trustee & 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 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. 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