

NAMAL ACUITY VALUE FUND

Interim Report

For the six months ended 30th September 2018

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Dear Investor,

We take pleasure in presenting the interim report of the Namal Acuity Value Fund (NAVF) for the 6 month period ended 30th September 2018.

Performance Review

The NAVF declined 19.92% for the 6 month period ended September 2018, while ASPI declined 9.49% and the S&P Sri Lanka 20 Index (S&P SL20) by 17.76%.

During the period under review, the Fund realized a loss of LKR 126.2 Mn. The unrealized loss for the period was LKR 159.0 Mn compared to LKR 3.4 million a year ago. This led to an investment loss of LKR 254.4 Mn for the period. The Fund reported a net loss of LKR 265.9 Mn

Market Review

ASPI declined 9.5%, and S&P SL20 declined by 17.8% during the period under review. Foreigners remained net sellers, shifting away from emerging markets due to continuous strengthening of US dollar and rising US treasury yields. For the 6 month period CSE recorded a net foreign outflow of LKR 3,525 million. Participation of foreigners stood at 46.2%, while average daily turnover for the period stood at LKR 583 million.

The benchmark 12 month Treasury Yields declined during 1HFY19 and stood at 9.51%. The decrease was led by CBSL reducing Standing Lending Facility Rate by 25 bps to 8.50% at the beginning of the period under review. Private credit growth followed a downward trend during the period mainly due to slowdown in lending by financial institutions.

The Sri Lankan economy reported GDP growth of 3.6% YoY for 1HCY18. Growth was mainly led by recovery in agricultural sector which posted a growth of 4.9% YoY. Industries sector continued to grow at a slow pace of 1.6% YoY while service sector grew by 4.8%. Construction sub segment growth remained muted over Q2 2018 (YoY growth of -1.8%), while high growth in sub segments such as telco and financial services led to a higher growth in services sector. On external sector, trade deficit continued to widen, resulting in deficit of USD 7,240 Mn to August 2018. Significant growth in motor vehicle imports, gold and rising crude oil prices had a major impact on trade deficit. Tourism earnings grew by 12.5% to USD 2,935 Mn to August 2018, while worker remittances declined to USD 4,777 Mn, end of August 2018. Overall BoP position to August posted a surplus of USD 474 Mn.

Portfolio Composition

The Fund has 66.7% allocation to equity and the remainder in Commercial Papers, Debentures and Repos.

NAVF's highest equity concentrations as at end of 1HFY19, are in Banking, Telecommunications and Materials sectors.

Sincerely,

The Fund Management Team
19th November 2018

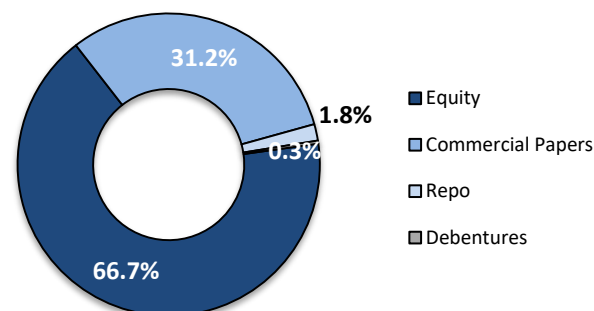
Performance Comparison

	6M* (%)	12M (%)	60M (%)	Since Inception (%)
ASPI	-9.49	-8.95	1.01	99.49
S&P SL 20	-17.76	-18.75	-6.61	74.10
NAVF	-19.92	-25.98	12.83	130.63

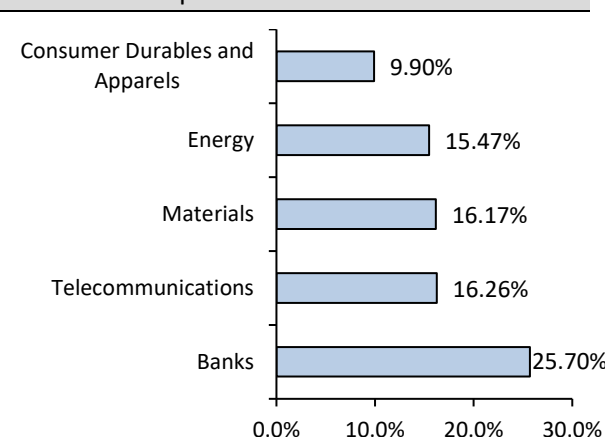
(Non-annualised returns)

* Six month period ending 28th September 2018

Asset Allocation



Top 5 Sector Allocations



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STATEMENT OF COMPREHENSIVE INCOME

For the six month period ended 30th September

	30.09.2013	2018	2017
	Note	Rs. Mn.	Rs. Mn.
INVESTMENT INCOME			
Dividend income		5,502,588	21.39
Interest income	11	4,538,073	9.46
Net realised gains on financial assets held for trading	7.3	(11)	(126.17)
Net change in unrealised losses on financial assets held for trading	7.4	(16)	(159.08)
Total Investment Income		<u>10,040,634</u>	<u>(254.39)</u>
EXPENSES			
Management and registrar fees		(2,585,129)	(6.31)
Trustee and custodian fees		(635,242)	(1.56)
Audit fees		(59,557)	(0.16)
Professional charges		(30,733)	(0.09)
Other expenses		(5,301,051)	(3.42)
Total operating expenses		<u>(8,611,711)</u>	<u>(11.54)</u>
NET OPERATING PROFIT/(LOSS)		1,428,923	(265.93)
FINANCE COST			
Interest expense		-	(0.00)
PROFIT AFTER DEDUCTIONS AND BEFORE TAX		1,428,923	(265.94)
Income tax expense		(69,582)	-
PROFIT AFTER TAX FOR THE PERIOD		<u>1,359,341</u>	<u>(265.94)</u>
INCREASE IN NET ASSETS ATTRIBUTABLE TO UNIT HOLDERS		1,359,341	(265.94)

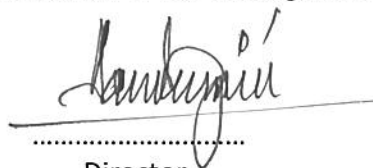
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STATEMENT OF FINANCIAL POSITION

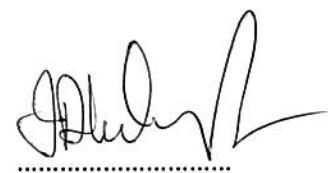
As at 30th September

	Note	2018 Rs Mn	2017 Rs Mn
ASSETS			
Cash and cash equivalents		2.38	3.60
Financial assets - Held for Trading	07	717.88	1,405.06
Financial assets -Loans and Receivables	08	353.25	74.08
Other Receivables	09	-	0.46
Income tax recoverable		9.31	9.00
TOTAL ASSETS		<u>1,082.82</u>	<u>1,492.19</u>
UNIT HOLDERS' FUNDS & LIABILITIES			
LIABILITIES			
Accrued expenses	10	1.28	19.22
Total Liabilities (Excluding net assets attributable to Unit Holders)		<u>1.28</u>	<u>19.22</u>
UNIT HOLDERS' FUNDS			
Net assets attributable to Unit Holders		1,081.54	1,472.98
		<u>1,082.82</u>	<u>1,492.19</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 six month period ended 30th September

	2018	2017
UNIT HOLDER' FUND AT THE BEGINNING OF THE PERIOD	1,347.48	1,362.60
Increase in net assets attributable to unit holders	(265.94)	110.38
UNIT HOLDERS' FUNDS AT THE END OF THE PERIOD	<u>1,081.54</u>	<u>1,472.98</u>

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NOTES TO THE FINANCIAL STATEMENTS

For the six month period ended 30th September 2018

FOR THE 6 MONTH PERIOD ENDED SEPTEMBER 30,2014

- 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 2018/2019 as specified in part A of the second schedule to the Inland Revenue Act No. 10 of 2006.
- 3 There are no material Contingent Liabilities or contingent Assets which require disclosure in the financial statements.
- 4 No circumstances have arisen since the Balance Sheet date, which would require adjustments or disclosure in the Financial Statements.

5. Share Price Movement

The market prices during the 6 months period ended 30 September	2018	2017
Highest Price (Rs.)	100.00	107.50
Lowest Price (Rs.)	81.00	83.00
Last Traded Price (Rs.)	81.00	105.00

6. Net Asset Value of a unit as at September 30th (Rs.)

(Applicable to 10,751,200 units)

2018	2017
99.73	136.17

7 FINANCIAL ASSETS-HELD FOR TRADING

Quoted equity securities (Note 7.1)	714.45	1,394.11
Debt Securities-quoted Debentures (Note 7.2)	3.43	10.95
Market Value	<u>717.88</u>	<u>1,405.06</u>

7.1 Quoted Equity Securities

Cost as at 30.09.2018	920.90	1,287.61
Appreciation/(Depreciation) of market value quoted equity securities	(206.45)	106.49
	<u>714.45</u>	<u>1,394.11</u>

Company	30.09.2018			30.09.2017		
	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
Banks, Finance and Insurance						
Commercial Bank of Ceylon PLC-V	-	-	-	-	-	-
Hatton National Bank PLC-NV	-	-	-	170,000	14.62	0.98%
Central Finance PLC	-	-	-	-	-	-
Union Bank of Colombo Ltd	-	-	-	-	-	-
Hatton National Bank LTD.	641,326	134.68	12.44%	550,000	129.25	8.66%
Nations Trust Bank	-	-	-	1,200,000	96.00	6.43%
Sampath Bank	-	-	-	233,713	72.10	4.83%
Seylan Bank-NV	1,238,551	48.92	4.52%	1,189,875	68.77	4.61%
		<u>183.60</u>	<u>17%</u>		<u>380.75</u>	<u>25.51%</u>
Beverages, Food and Tobacco						
Renuka Agri Foods	5,958,698	11.32	1.05%	8,220,240	23.02	1.54%
		<u>11.32</u>	<u>1.05%</u>		<u>23.02</u>	<u>1.54%</u>
Construction & Engineering						
Access Engineering	3,644,821	50.66	4.68%	3,644,821	94.04	6.30%
		<u>50.66</u>	<u>4.68%</u>		<u>94.04</u>	<u>6.30%</u>
Diversified Holdings						
Softlogic Holdings	-	-	-	3,396,497	41.10	2.75%
Hemas Holdings PLC	-	-	-	-	-	-
Hayleys LTD	29,530	5.51	0.51%	29,530	7.97	0.53%
	5	<u>5.51</u>	<u>0.51%</u>		<u>49.07</u>	<u>3.28%</u>

Health Care						
Ceylon Hospitals PLC (Durdans)-NV	-	-	-	800,000	56.00	3.75%
Ceylon Hospitals PLC (Durdans)-V	-	-	-	-	-	-
Lanka Hospital Corporation LTD	800,000	32.08	2.96%	800,000	50.40	3.38%
		<u>32.08</u>	<u>2.96%</u>		<u>106.40</u>	<u>7.13%</u>
Hotel and Travels						
Kingsbury		-	-		-	0.00%
Manufacturing						
ACL Cables PLC	-	-	-	1,500,000	67.65	4.53%
Tokyo Cement	1,800,000	49.32	4.55%	1,800,000	127.62	8.55%
Tokyo Cement - NV	2,782,635	66.23	6.12%	2,782,635	167.24	11.21%
Chevron Lubricant Lanka PLC	-	-	-	1,260,000	153.72	10.30%
Textured Jersey Lanka LTD	2,455,000	70.70	6.53%	2,250,000	87.75	5.88%
		<u>186.25</u>	<u>17.20%</u>		<u>603.98</u>	<u>40.47%</u>
Power & Energy						
Laugfs Gas Eco Sri LTD	1,339,563	1.45	0.13%	-	-	-
Laugfs Gas Leisure LTD.	1,339,563	10.38	0.96%	-	-	-
Laugfs Gas Power LTD.	1,339,563	6.51	0.60%	-	-	-
Laugfs Gas-V	1,339,563	23.71	2.19%	1,139,563	34.43	2.31%
Lanka IOC	3,100,000	86.80	8.02%	3,100,000	93.00	6.23%
		<u>128.85</u>	<u>11.90%</u>		<u>127.43</u>	<u>8.54%</u>
Plantations						
Kegalle Plantations PLC						
Trusts & Investments						
Renuka Holdings		-	-		-	-
		-	-		-	-
Telecommunication						
Dialog	9,762,191	116.17	10.73%	779,770	9.44	0.63%
		<u>116.17</u>	<u>10.73%</u>		<u>9.44</u>	<u>0.63%</u>
Total value of Equity Investments in Quoted Shares (At Market Value)		<u>714.45</u>	<u>65.98%</u>		<u>1,394.11</u>	<u>93.40%</u>

7.2 Quoted Debentures

	As at 30.09.2018			As at 30.09.2017		
	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	3.20	0.21%
Central Finance PLC	-	-	-	-	-	-
Lion Brewery PLC				4.00	4.51	0.30%
Softlogic Holdings	-	-	-	-	-	-
Hayleys	-	-	-	-	-	-
Richard Pieris	-	-	-	-	-	-
Hemas Holdings	3.26	3.43	0.32%	3.26	3.24	0.22%
	<u>3.26</u>	<u>3.43</u>	<u>0.32%</u>	<u>10.43</u>	<u>10.95</u>	<u>0.73%</u>

7.3 Net realised in gains on financial assets held for trading

	30.09.2018	30.09.2017
<u>Equity securities</u>		
Proceeds on sale of equity shares	297.08	157.45
Average cost of equity share sold	(423.25)	(75.87)
	<u>(126.17)</u>	<u>81.58</u>

7.4 Net change in unrealised gains on financial assets held for trading

	30.09.2018	30.09.2017
Equity securities	(159.06)	(3.71)
Debt securities-quoted debentures	(0.02)	0.26
	<u>(159.08)</u>	<u>(3.45)</u>

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For the six month period ended 30th September

	2018	2017
	Rs. Mn.	Rs. Mn.
8 FINANCIAL ASSETS - LOANS AND RECEIVABLES		
8.1 Treasury Bills Repurchase Agreements		
First Capital Treasuries PLC	18.91	-
Wealthtrust Securities PLC	-	74.08
	18.91	74.08
8.2 Investment in Commercial Papers		
Dunamis Capital PLC	83.59	-
Lanka Orix Leasing Co.PLC	65.39	-
First Capital Holdings PLC	104.19	-
Softlogic Holdings PLC	81.17	-
	334.34	-
	353.25	74.08
9 OTHER RECEIVABLES		
Dividend Receivable	-	0.46
	-	0.46
10 ACCRUED EXPENSES		
Fund management fees payable	0.93	1.23
Trustee fee and Custodian fee payable	0.23	0.30
Audit fee payable	0.12	0.08
CDS Payable	-	17.60
	1.28	19.22
11 INTEREST INCOME		
Interest on		
Treasury bill repurchase agreements	1.98	3.21
Debentures	0.35	0.81
Savings account	0.12	0.09
Commercial Paper	7.01	1.21
	9.46	5.31
12 DISTRIBUTION		
The fund announced a dividend of Rs.1.00 per unit on 31.10.2018 for the period ended August 31, 2018.		

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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) No. 07 , Glen Aber Place, Colombo 03

National Asset Management Limited

Board of Directors (As of 30th September 2018)

Mr. Alexis Lovell	Chairman
Mr. Indrajit Wickramasinghe	Director
Mr. Tyronne de Silva	Director
Mr. Malinda Samaratinga	Director
Mr. Wijenanada Dambawinna	Director
Mr. Suren Madhanayake	Director
Ms. Khoo Siew Bee	Director
Mr. Kapila Nanayakkara	Director