



Gilt Edge Fund

(A Series)

Interim Report

30th June 2017

“The SEC in granting approval does not extend to either endorsing or ratifying the accuracy of the specific details set out therein, and that the Management Company and Trustee remains at all times responsible for the specific details set out in the Interim Report.”

CEYBANK GILT EDGE FUND - A SERIES - Interim Report 2017

REPORT OF THE MANAGER

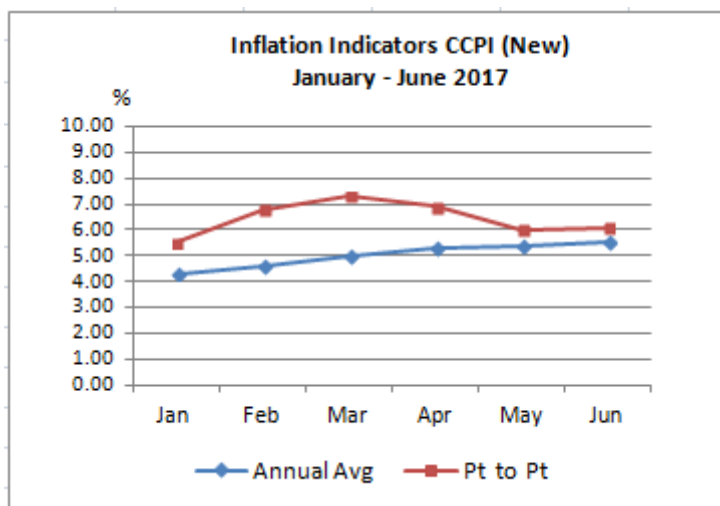
We have great pleasure in presenting the Interim Report and Accounts of the Ceybank Gilt Edge Fund (A series) for the six month period ended 30th June 2017.

The Net Asset Value per unit of your Fund appreciated by 8.2% during the period under review.

Economy

The Sri Lankan Economy recorded a GDP growth of 3.8% for the 1st quarter of 2017. Contribution to the expansion in the first quarter sector wise was seen in Industry 6.3% and Services 3.5%. Agriculture contracted by 3.2%.

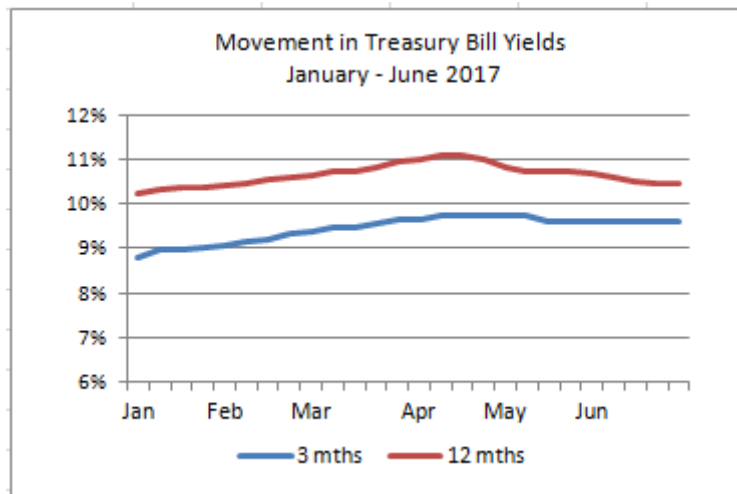
Average Annual Inflation measured by the CCPI (New) which was at 5.5% at the beginning of the year, increased initially and then eased off, ending higher at 6.1% in June 2017.



Market interest rates which moved up gradually during the first four months of the year tapered off in May and June. The benchmark 12 month Treasury bill rate which was at 10.22% in January closed marginally higher at 10.47% by the end of June. The long term Treasury bond market continued to be volatile.

Overnight call money rates moved within a thin band of 8.20% and 8.80% p.a. The exchange rate which was at 149.80 (Rs/US\$) at the beginning of the year witnessed a depreciation during the period under review. The Rupee was quoted at 153.30 (Rs/ US\$) as at 30th June 2017.

The Central Bank increased policy rates by 25 basis points on 24th March 2017. The current rates on the Standard Deposit facility and Standard Lending facility are 7.25% and 8.75% respectively. The Statutory Reserve Ratio for Commercial Banks' remained unchanged.



Fund Performance

The Net Asset Value per unit of your Fund appreciated by 8.2% during the period under review.

The Fund generated a net income of Rs 83 million during the period under review. The Fund is invested in a mix of Treasury Bills and Repurchase agreements with maturities less than a year.

Future Outlook

The economy is expected to grow at around 4.5% in 2017. The Future outlook on growth will depend on clarity in Government policy especially on taxes.

Declining economic growth in key export markets remain a concern. While the resumption of the GSP+ facility is positive the country will need to move fast to capitalize on the opportunities. Low crude oil prices would be beneficial for the economy. However international commodity prices remain volatile. Local weather conditions too will have a significant impact on the growth performance.

Interest rates are expected to increase or remain flat towards the end of the year depending on increased demand by the Government for the envisaged development projects.

The Fund being a Gilt Edge Fund is invested in a mix of Government securities and Repurchase agreements within a one year maturity period. The Managers will continue to monitor the interest rate environment and make changes to the investment profile, to fulfill the Fund objective.

Chitra Sathkumara
Executive Director/ CEO
August 2017

CEYBANK GILT-EDGED FUND (A-SERIES)

Statement of comprehensive income

(all amounts in Sri Lanka Rupees)

	Period from 1 January to 30 June 2017	Period from 1 January to 30 June 2016
Income		
Net income on financial instruments held at fair value through profit or loss	83,000,290	31,276,619
Total investment income	83,000,290	31,276,619
Expenses		
Management participation	(4,485,961)	(2,028,640)
Bank chargers	(45,750)	(17,250)
Nation Building Tax	(60,495)	(23,572)
Interest Expenses	-	(93,736)
Custodian Fees	(72,000)	(60,000)
	(4,664,206)	(2,223,198)
Net operating profit	78,336,084	29,053,421
Finance costs		
Distributions to unitholders	-	-
Profit after deductions and before tax	78,336,084	29,053,421
Income tax expense	(7,839,658)	(2,907,699)
Increase in net assets attributable to unitholders	70,496,426	26,145,722

CEYBANK GILT-EDGED FUND (A-SERIES)

Statement of financial position

(all amounts in Sri Lanka Rupees)

	30 June	30 June
	2017	2016
<u>Assets</u>		
Cash and cash equivalents	115,909	143,261
Financial assets held at fair value through profit or loss	1,300,173	2,800,327
Tax receivable	536,976	223,857
Total Assets	1,953,058	3,167,445

UNIT HOLDERS' FUNDS AND LIABILITIES

Liabilities

Other payables	885,384	539,097
Money Payable on Unit redemption	22,541	-
Total Liabilities (excluding net assets attributable to unit holders)	907,925	539,097
Net assets attributable to unit holders – liability	1,045,133	2,628,348
Total Unit Holders' funds and Liabilities	1,953,058	3,167,445

Statement of changes in Unitholders' funds

(all amounts in Sri Lanka Rupees)

	30 June	30 June
	2017	2016
Unitholders' funds at beginning of the year	1,301,641	-
Increase in net assets attributable to unit holders	70,496,426	26,145,722
Received on unit creations	3,764,638,950	2,078,705,700
Paid on unit redemptions	(3,835,391,884)	(2,102,223,074)
Unitholders' funds as at 30th June	1,045,133	2,628,348