



Gilt Edge Fund

(B Series)

Interim Report

30th June 2016

“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 - B SERIES - Interim Report 2016

REPORT OF THE MANAGER

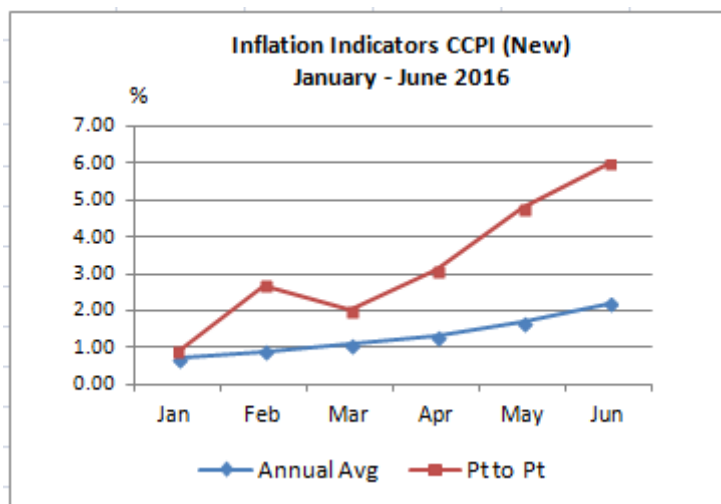
We have great pleasure in presenting the Interim Report and Accounts of the Ceybank Gilt Edge Fund (B series) for the six month period ended 30th June 2016.

The Net Asset Value per unit of your Fund appreciated by 1.84% during the period, which included a tax free dividend of Rs 0.30 (30cts per unit) distributed by the Fund. The Fund will continue to distribute dividends in January and July each year.

Economy

The Sri Lankan Economy recorded a GDP growth of 5.5% for the 1st quarter of 2016. Contribution to the expansion in the first quarter sector wise was seen in Agriculture 1.9%, Industry 8.3% and Services 4.9%.

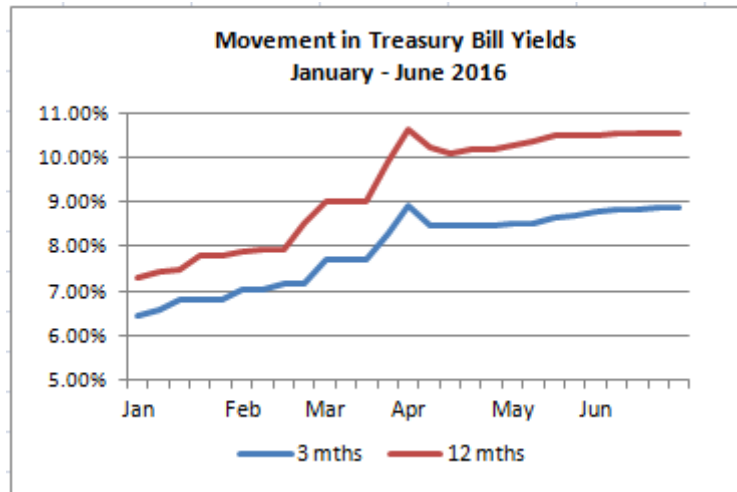
Average Annual Inflation measured by the CCPI (New) which was at 0.7% at the beginning of the year, increased continuously and ended at 2.2% in June 2016.



Market interest rates which moved up gradually during the first two months of the year spiked unusually in March and then flattened out to end the period higher. The benchmark 12 month Treasury bill rate which was at 7.30% in January spiked to 10.64% in March and ended at 10.55% by the end of June. The long term Treasury bond market continued to be volatile as some foreign investors exited the market.

Overnight call money rates moved between 6.25% and 8.20% p.a. The exchange rate which was at 144.08 (Rs/US\$) at the beginning of the year witnessed a gradual depreciation during the period under review. The Rupee was quoted at 146.54 (Rs/ US\$) as at 30th June 2016.

The Statutory Reserve Ratio for Commercial Banks' was increased by 150 basis points to 7.50% in January 2016. The Central Bank also increased policy rates by 50 basis points on 19th February 2016. The current rates on the Standard Deposit facility and Standard Lending facility are 7% and 8.50% respectively.



Fund Performance

The Net Asset Value per unit of your Fund appreciated by 1.84% during the period under review.

The Fund generated a net income of Rs 13.17 million and declared a tax free dividend of Rs 0.30 (30 cents) per unit to the unit holders 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 5.5% in 2016. The Future outlook on growth will depend on Government policy which continues to be unclear.

Export markets remain a concern, as both the USA and Europe face declining economic growth in addition to social and political challenges. Low crude oil prices would be beneficial for the economy. Volatility in international commodity prices and currency markets, after Brexit remain a concern. The Bullish sentiment of international investors for the recent sovereign bond issued by the Government however is encouraging. It is anticipated that foreign direct investment will follow.

Interest rates are expected to increase towards the end of the year as the Government crowds out the private sector.

The Fund being a Gilt Edge Fund is invested in a mix of Government securities 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 of providing liquidity and regular income for the investor.

Chitra Sathkumara
Executive Director/ CEO
July 2016

CEYBANK GILT EDGED FUND - B SERIES

Statement of comprehensive income

(all amounts in Sri Lanka Rupees)

	Period from 1 January to 30 June 2016	Period from 1 January to 30 June 2015
Income		
Net income on financial instruments held at fair value through profit or loss	13,172,518	16,268,277
Total investment income	13,172,518	16,268,277
Expenses		
Management participation	(1,146,286)	(1,631,054)
Miscellaneous expenses	-	-
Interest expenses		(27,775)
Bank charges	(17,350)	(14,800)
Nation Building Tax	(22,351)	(25,999)
Custodian Fee	(72,000)	(72,000)
	(1,257,987)	(1,771,628)
Net operating profit	11,914,531	14,496,649
Finance costs		
Distributions to unitholders	(124,074)	-
Profit after deductions and before tax	11,790,457	14,496,649
Income tax expense	(1,193,688)	(1,452,265)
Increase in net assets attributable to unitholders	10,596,769	13,044,384

CEYBANK GILT EDGED FUND - B SERIES

Statement of financial position

(all amounts in Sri Lanka Rupees)

	30 June 2016	30 June 2015
ASSETS		
Cash and cash equivalents	160,570	310,074
Financial assets held at fair value through profit or loss	4,001,011	508,615,196
Tax receivable	492,460	-
Total assets	4,654,041	508,925,270
UNITHOLDERS' FUNDS AND LIABILITIES		
Liabilities		
Money Payable on Unit redemption	17,386	211
Other payables	153,022	282,891
Tax payable		514,980
Total liabilities (excluding net assets attributable to unitholders)	170,408	798,082
Net assets attributable to unitholders – liability	4,483,633	508,127,188
Total unitholders' funds and liabilities	4,654,041	508,925,270

Statement of changes in unitholders' funds

(all amounts in Sri Lanka Rupees)

	30 June 2016	30 June 2015
Unitholders' funds at beginning of the year	508,011,428	507,823,730
Increase in net assets attributable to unit holders	10,596,769	13,044,384
Received on unit creations	500,106,296	838,246,210
Paid on unit redemptions	(1,014,230,860)	(850,987,136)
Unitholders' funds at 30th June	4,483,633	508,127,188