

## CEYBANK GILT EDGED FUND - Interim Report 2011

### REPORT OF THE MANAGER

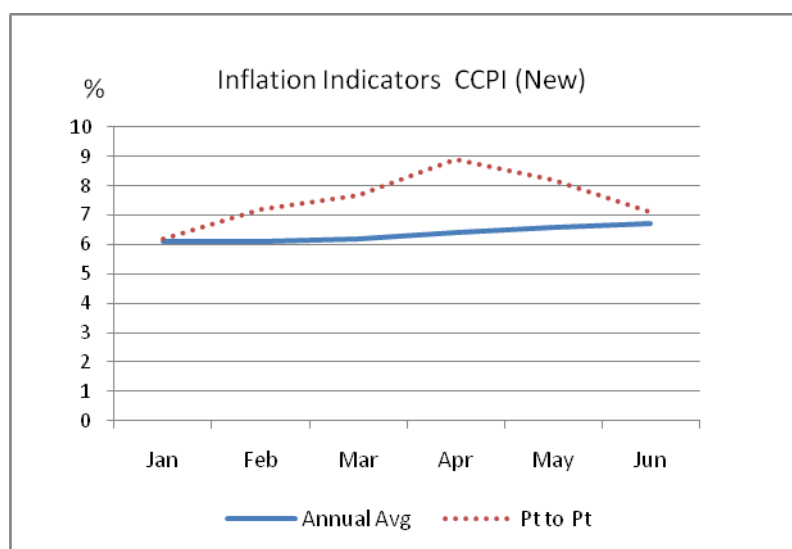
We have great pleasure in presenting the Interim Report and Audited Accounts of the Ceybank Gilt Edged Fund for the period 1<sup>st</sup> January 2011 to 30<sup>th</sup> June 2011.

The Net Asset Value per unit of your Fund appreciated by 3.25% during the period and the Fund distributed a tax free dividend of Rs 0.75 (75cts per unit). The Fund will distribute dividends in January and July each year until its maturity on the 17<sup>th</sup> March 2012.

#### Economy

The Sri Lankan Economy recorded a GDP growth of 7.9% for the 1<sup>st</sup> quarter of 2011. Contribution to the expansion in the first quarter sector wise was seen in Agriculture – 5.1%, Industry 11.1% and Services 9.5%.

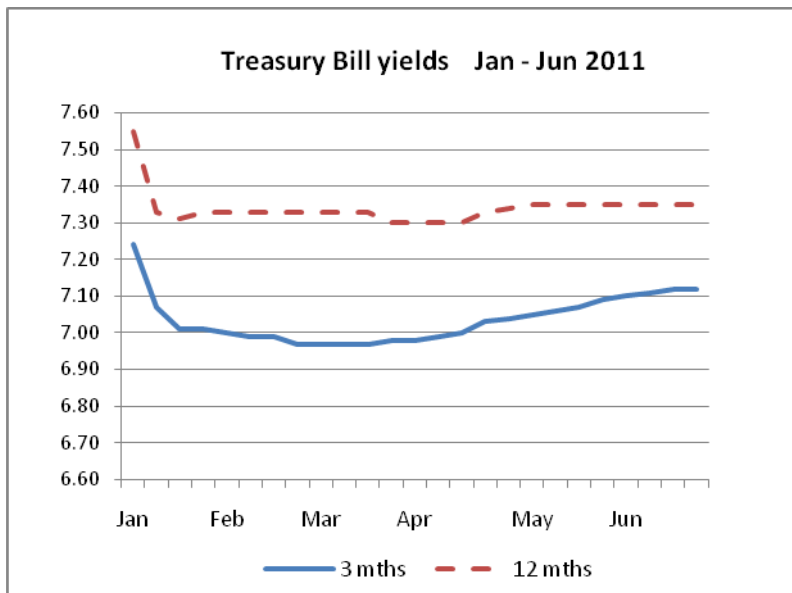
Average Annual Inflation measured by the CCPI (New) increased continuously during the six month period from 6.1% in January to 6.7% in June at the end of June 2011.



Market interest rates remained mostly unchanged. The benchmark 12 month Treasury bill rate which was at 7.55% in January moved down to 7.35% p.a. by the end of the period. Long term Treasury bonds too dropped marginally.

Overnight call money rates moved between 7.5% and 8% p.a. The exchange rate which was at 111.14 (Rs/US\$) at the beginning of the year appreciated during the period under review. The Rupee was quoted at 109.56 (Rs/ US\$) as at 30<sup>th</sup> June 2011.

Central Bank policy rates were reduced marginally. The Repo rate was reduced by 25 basis points to 7.00% and the Reverse Repo rate reduced by 50 basis points to 8.50% during the period.



## Fund Performance

The Net Asset Value per unit of your Fund appreciated by 3.25% during the period under review.

The Fund generated a net income of Rs 37.11 million and declared tax free dividends totaling Rs 0.75 (75 cents) per unit to the unit holders during the period under review. The Fund was mainly invested in Treasury Bonds that reflected the maturity of the Fund.

## Future Outlook

The economy is expected to grow at around 8% in 2011 with increased contribution from all sectors, as the Government continues with the same economic policy. The Agriculture sector, (although a non performer in the first quarter due to adverse weather conditions) is expected to bounce back. Infrastructure projects such as the ports and highways are expected to contribute significantly. However the volatility in international commodity prices remains a concern.

Interest rates are expected to remain low during the second half of the year, as the market remains liquid and inflation is within expected targets. The Fund being a close ended fund with a 4 year maturity is currently invested in Treasury bonds and Repurchase agreements. The Managers will continue to monitor the market and make changes to the investment profile when necessary, to fulfill the Fund objective of providing a regular income for the investor.

Mr K L Hewage

Chairman

12<sup>th</sup> August 2011

**CEYBANK GILT EDGED FUND**  
**MANAGER'S HALF-YEARLY REPORT**

**STATEMENT OF TOTAL RETURN**

[All amounts in Sri Lanka Rupees Millions]

	<b>Six months ended 30th June</b>	
	<b>2011 Rs</b>	<b>2010 Rs</b>
Gross income	39.96	44.70
Expenses	(2.85)	(2.59)
<b>Net income before taxation</b>	37.11	42.12
Taxation	0.00	0.00
<b>Net income after taxation</b>	37.11	42.12
Net realised gains/(losses) on sale of investments	0.00	21.67
Net unrealised appreciation/(depreciation) on valuation of investments at market value	(14.52)	(34.20)
<b>Net gains on investments</b>	(14.52)	(12.53)
<b>Total earnings</b>	22.59	29.59
<b>Equalisation</b>		
Received on units created	1.42	1.68
Deducted on units redeemed	0.00	0.00
	1.42	1.68
<b>Total return</b>	24.01	31.28
<b>Distributions</b>		
Dividends Paid	(42.11)	(54.67)
<b>Net increase in unitholders' funds</b>	<b>(18.10)</b>	<b>(23.39)</b>

**STATEMENT OF MOVEMENT IN UNITHOLDERS'  
FUNDS**

	<b>Six months ended 30th June</b>	
	<b>2011 Rs</b>	<b>2010 Rs</b>
Net assets at the beginning of the period	691.63	686.76
Movement due to sale and repurchase of units		
Received on creation of units	8.71	10.34
Paid on cancellation of units	0.00	0.00
	8.71	10.34
Net increase in unitholders' funds	(18.10)	(23.39)
<b>Net assets at the end of the period.</b>	<b>682.24</b>	<b>673.71</b>

**CEYBANK GILT EDGED FUND**  
**MANAGER'S HALF-YEARLY REPORT**

**BALANCE SHEET**

[All amounts in Sri Lanka Rupees Millions]

	<b>As at 30th June</b>	
	<b>2011</b>	<b>2010</b>
	<b>Rs</b>	<b>Rs</b>
<b>Investments</b>		
Investments in Government Bonds	310.27	454.93
	<b>310.27</b>	<b>454.93</b>
<b>Debtors</b>		
Accrued income	23.68	17.03
Other receivables	1.57	1.34
Repurchase agreements	346.80	200.78
Cash and bank balances	0.32	0.26
	<b>372.38</b>	<b>219.41</b>
<b>Creditors: amounts falling due within one year</b>		
Amount payable on ESC	0.00	(0.11)
Accrued expenses	(0.42)	(0.51)
	<b>(0.42)</b>	<b>(0.62)</b>
<b>Net current assets</b>	<b>371.96</b>	<b>218.78</b>
<b>Net assets</b>	<b>682.24</b>	<b>673.71</b>
<b>Capital account</b>		
Unit capital	573.52	559.40
Net realised Gains/(losses)	26.31	25.70
Net unrealised appreciation/(depreciation)	23.24	42.60
	623.07	627.70
<b>Income account</b>	59.17	46.01
	<b>682.24</b>	<b>673.71</b>