

CEYBANK SURAKUM FUND - Interim Report 2011

REPORT OF THE MANAGER

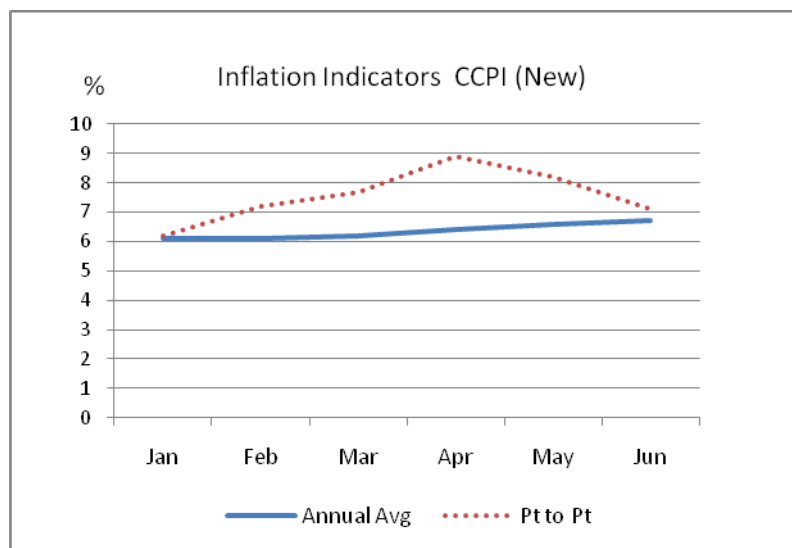
We have great pleasure in presenting the Interim Report and Audited Accounts of the Ceybank Surakum Fund for the period 29th November 2010 to 30th June 2011.

The Net Asset Value per unit of your Fund appreciated by 3.80% during the period. The Fund will distribute its first dividend in July 2011 and continue distributing dividends in January and July each year.

Economy

The Sri Lankan Economy recorded a GDP growth of 7.9% for the 1st 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%.

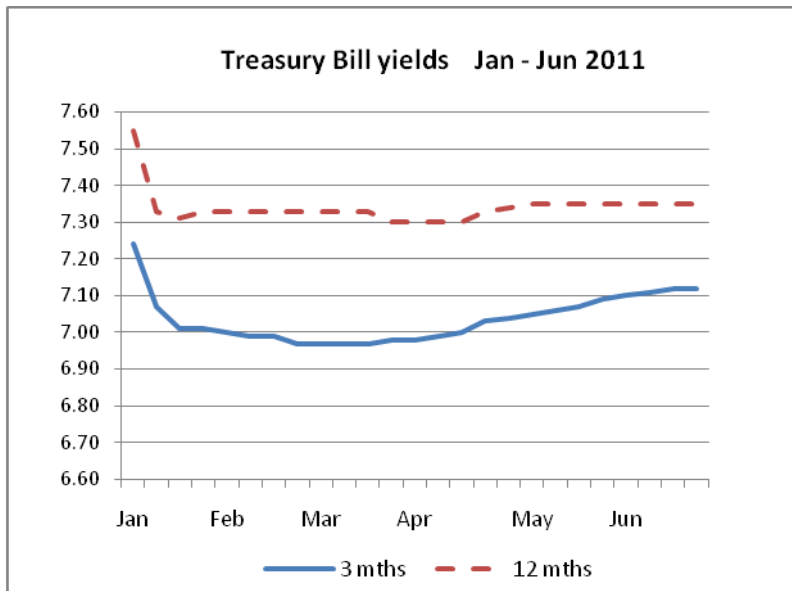
Average Annual Inflation measured by the CCPI (New) increased continuously during the six month period from 6.1% in January to 6.7% in June at the end of June 2011.



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% 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 30th 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 3.80% during the period under review. The Fund generated a net income of Rs 151.32 million for the period under review. The Fund is mainly invested in Government Securities .

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 is currently invested in Treasury Bills, Repurchase agreements and Government guaranteed Securities. The Managers will continue to monitor the market interest rates and make changes to the investment profile when necessary, to fulfill the Fund objective of capital preservation and providing a regular income for the investor.

Mr K L Hewage
 Chairman
 12th August 2011

CEYBANK SURAKUM - GILT EDGED FUND**MANAGER'S HALF-YEARLY REPORT****STATEMENT OF TOTAL RETURN**

[All amounts in Sri Lanka Rupees Millions]

**Period From 29 November
2010****to 30th June 2011****Rs.**

Gross income	166.81
Expenses	(15.49)
Net income before taxation	151.32
Taxation	0.00

Net income after taxation	151.32
Net realised gains/(losses) on sale of investments	0.00
Net unrealised appreciation/(depreciation) on valuation of investments at market value	0.00
Net gains on investments	0.00

Total earnings 151.32

Equalisation

Received on units created	103.74
Deducted on units redeemed	(18.92)
	84.82

Total return 236.13

Distributions

Dividends Paid 0.00

Net increase in unitholders' funds **236.13**

**STATEMENT OF MOVEMENT IN UNITHOLDERS'
FUNDS****Period From 29 November
2010****to 30th June 2011****Rs**

Net assets at the beginning of the period	0.00
Movement due to sale and repurchase of units	
Received on creation of units	7,018.57
Paid on cancellation of units	(723.22)
	6,295.35
Net increase in unitholders' funds	236.13

Net assets at the end of the period. **6,531.48**

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

[All amounts in Sri Lanka Rupees Millions]

	As at 30th June
	2011 Rs
Investments	
Investments in Treasury Bills	1,396.56
Investments in Government Bonds	152.15
	1,548.71
Debtors	
Accrued income	58.63
Other receivables	0.41
Repurchase agreements	4,926.32
Cash and bank balances	207.91
	5,193.27
 Creditors: amounts falling due within one year	
Amount payable on redemption of units	(207.75)
Accrued expenses	(2.75)
	(210.50)
Net current assets	4,982.77
Net assets	6,531.48
 Capital account	
Unit capital	6,295.35
Net realised Gains/(losses)	0.00
Net unrealised appreciation/(depreciation)	0.00
	6,295.35
Income account	236.13
	6,531.48