



Gilt Edge Fund

(B 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 - B SERIES - Interim Report 2017

REPORT OF THE MANAGER

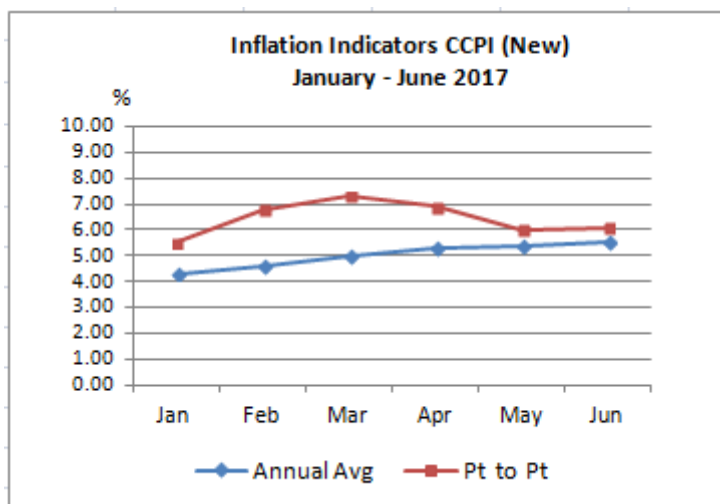
We have great pleasure in presenting the Interim Report and Accounts of the Ceybank Gilt Edge Fund (B series) for the six month period ended 30th June 2017.

The Net Asset Value per unit of your Fund appreciated by 0.9% during the period, which included a tax free dividend of Rs 0.35 (35cts per unit) distributed by the Fund. The Fund will continue to distribute dividends bi-annually each year.

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%.

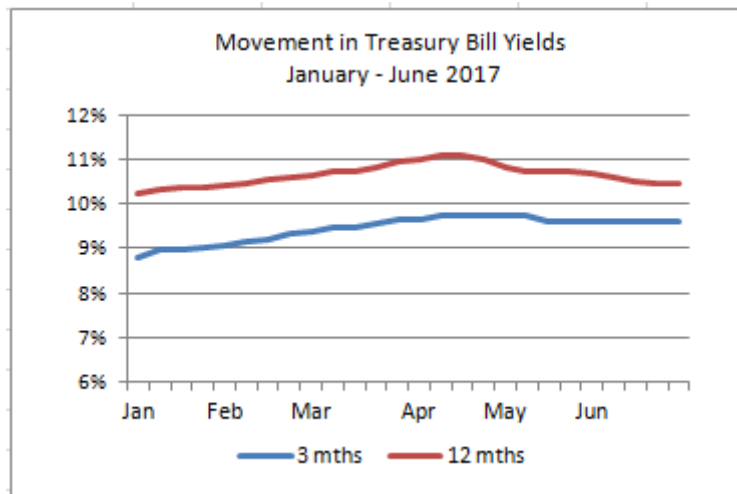
Average Annual Inflation measured by the CCPI (New) which was at 5.5% at the beginning of the year, increased initially and then eased off, ending higher at 6.1% in June 2017.



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 0.9% during the period under review.

The Fund generated a net income of Rs 0.14 million and declared a tax free dividend of Rs 0.35 (35 cents) per unit to the unit holders during the period under review. The Fund is currently invested in Treasury bill Repurchase agreements.

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 Treasury bill 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 of providing liquidity and regular income for the investor.

Chitra Sathkumara
Executive Director/ CEO
August 2017

CEYBANK GILT EDGED FUND - B 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	145,751	13,172,518
Total investment income	145,751	13,172,518
Expenses		
Management participation	(14,074)	(1,146,286)
Bank charges	(17,000)	(17,350)
Nation Building Tax	(186)	(22,351)
Custodian Fee	(72,000)	(72,000)
	(103,260)	(1,257,987)
Net operating profit	42,491	11,914,531
Finance costs		
Distributions to unitholders	(146,844)	(124,074)
(Loss)/Profit after deductions and before tax	(104,353)	11,790,457
Income tax expense	(4,268)	(1,193,688)
(Decrease)/Increase in net assets attributable to unitholders	(108,621)	10,596,769

CEYBANK GILT EDGED FUND - B SERIES

Statement of financial position

(all amounts in Sri Lanka Rupees)

	30 June 2017	30 June 2016
ASSETS		
Cash and cash equivalents	665,023	160,570
Financial assets held at fair value through profit or loss	3,305,238	4,001,011
Tax receivable	590,076	492,460
Total assets	4,560,337	4,654,041
UNITHOLDERS' FUNDS AND LIABILITIES		
Liabilities		
Money Payable on Unit redemption	255,538	17,386
Other payables	149,557	153,022
Tax payable		
Total liabilities (excluding net assets attributable to unitholders)	405,095	170,408
Net assets attributable to unitholders – liability	4,155,242	4,483,633
Total unitholders' funds and liabilities	4,560,337	4,654,041

Statement of changes in unitholders' funds

(all amounts in Sri Lanka Rupees)

	30 June 2017	30 June 2016
Unitholders' funds at beginning of the year	4,417,198	508,011,428
Increase in net assets attributable to unit holders	(108,621)	10,596,769
Received on unit creations	136,792	500,106,296
Paid on unit redemptions	(290,127)	(1,014,230,860)
Unitholders' funds at 30th June	4,155,242	4,483,633