



“Celebrating 25 years of Trust”

COMTRUST EQUITY FUND

**UNAUDITED INTERIM FINANCIAL STATEMENTS FOR THE
SIX MONTHS ENDED 30TH SEPTEMBER 2017**

REPORT OF THE FUND MANAGER

Dear Investor,

We take pleasure in presenting the Half-Yearly Report of the Comtrust Equity Fund for the period ended 30 September 2017.

Economic Review

The economic growth for the 2Q2017 recorded a moderate 4.0% compared to a 3.8% growth in 1Q2017 and 2.4% growth in 2Q2016. Adverse weather conditions which negatively impacted comparative quarters' growth continued to hinder the growth during 2Q2017, mainly Agricultural sector which deteriorated 2.9%. The Industrial sector recorded a growth of 5.2% driven by the Construction sub sector which increased 9.3%. The Services sector improved by 4.5% with the assistance of financial services and wholesale & retail trade sub sectors.

The Central Bank of Sri Lanka (CBSL) maintained both Standing Deposit Facility Rate (SDFR) and Standing Lending Facility Rate (SLFR) unchanged at 7.25% and 8.75% respectively subsequent to the 25 basis points (bps) rate hike in March 2017. This was possibly due to tightening measures implemented during the period up to March 2017 displaying effects by gradual decline of private sector credit growth which slowed down to 17.5% YoY by end of 1H18 compared with 20.4% YoY recorded at the beginning of 1H18. Excess liquidity level along with declining private sector credit growth resulted in a gradual fall of the yields on Treasury bills across all three maturities, with the 3 months rate decreasing by 92 bps, 6 months rate by 161 bps and 12 months rate by 188 bps to 8.71%, 9.01% and 9.10% respectively compared to the yields at the end of March 2017.

Point to point inflation and annual average inflation measured by Colombo Consumer Price Index (CCPI) closed at 7.1% and 5.8% respectively by end of 1H18. Food Inflation which increased 10.4% YoY was severely under pressure from supply disruptions due to unfavorable weather while Non Food Inflation of 5.5% YoY was mainly due to tax hikes implemented during 4Q2016. Meanwhile inflation measured by National Consumer Price Index (NCPI) closed at 8.6% on point to point basis and 6.8% on annual average basis.

The issue of US \$ 1.5 billion Sovereign Bonds, issue of Sri Lanka Development Bonds and the receipt of third tranche of International Monetary Fund's Extended Fund Facility together with CBSL's foreign exchange purchases from the domestic market helped to stabilize the foreign reserve position and recorded a healthy US \$ 7.3 billion by end of 1H18. Hence during the six month subject period, Sri Lankan Rupee depreciated only by 0.7% against the US \$.

Market Review

Over the last six months, the All Share Price Index (ASPI) has risen 6.2% as at 30th September 2017 while the S&P SL20 has risen 7.2%. A sharp uptick in the market was seen in 2Q2017 as a result of significant foreign inflows in key blue chip counters and positive sentiment created via continued fiscal consolidation measures by the government. However this was followed by two consecutive months of market decline primarily due to weak quarterly earnings released by listed corporates and slowdown in net foreign inflows. Despite that, the bourse recovered marginally during the latter part of the quarter.

Net foreign inflow recorded a significant Rs. 12.1 bn for the period April – September 2017, compared with the net outflow of Rs. 0.9 bn recorded in April – September 2016. However, net foreign activity saw a reversal and recorded an outflow of Rs. 4.3 bn during July – September 2017 predominantly due to a one-off strategic foreign sale. Average daily turnover too increased 35.6% YoY and recorded Rs. 1,008 mn in the subject six months vs Rs. 744 mn comparative 6 month period.

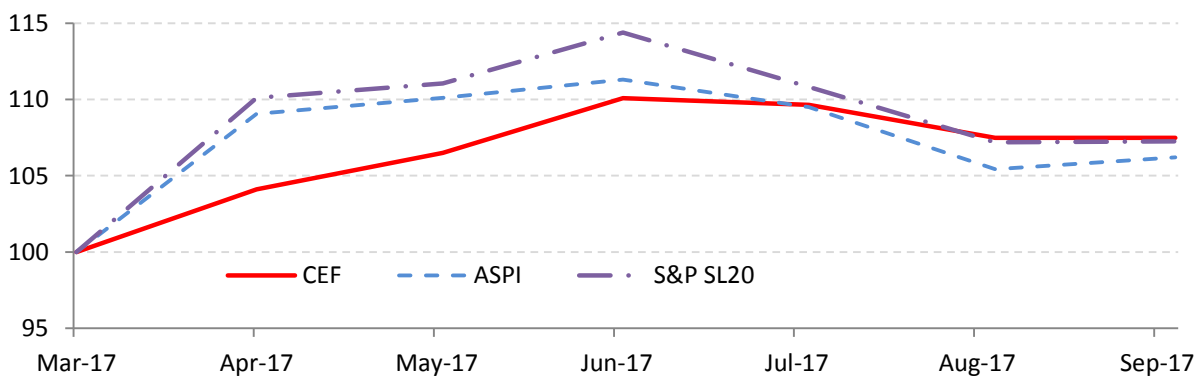
Fund Performance

In the six months to September 2017, the Comtrust Equity Fund has risen 7.5% outperforming the ASPI's 6.2% increase and S&P SL20's 7.2% increase. The fund was able to outperform the market by superior stock selection enabling to capture the upside of the market, while returns from fixed income investments continued to provide an attractive base.

During the period under review, the fund increased equity exposure mainly in construction and construction related manufacturing sectors given the revival in both public and private construction as well as in the banking sector and an export oriented company. In the meantime, the fund realized profits from counters that had given above average returns, while exited a counter that had been slow to give returns.

Your fund continues to invest in counters that have strong fundamental backing and earnings potential, supported by due diligence by our research team.

Comtrust Equity Fund Performance vs. ASPI & S&PSL20; March 2017 – September 2017



Outlook

Given the fiscal consolidation measures such as the new Inland Revenue Act, National Budget Proposals 2018, fairly consistent economic policies, improvements in the external front, and notable foreign interest in equity market etc., we maintain a moderately positive outlook regarding the medium to long run.

INTERIM FINANCIAL STATEMENTS
30th SEPTEMBER 2017

COMTRUST EQUITY FUND
STATEMENT OF COMPREHENSIVE INCOME FOR THE SIX MONTHS
PERIOD ENDED SEPTEMBER 30, 2017

	Note	Six months ended 30.09.2017 Rs.	Six months ended 30.09.2016 Rs.
Income			
Dividend income		2,998,223	5,082,183
Interest income from financial assets not held at fair value through profit and loss	1	5,527,982	1,751,289
Net realized gain/(loss) on financial assets held at fair value through profit and loss		24,812,513	10,812,485
Net change in unrealized gain/(loss) on financial assets held at fair value through profit and loss		(8,912,082)	4,594,565
Total Investment gain/(loss)		24,426,637	22,240,523
Expenses			
Management fee		(2,309,378)	(2,521,937)
Trustee fee		(459,555)	(235,386)
Audit fee		(85,603)	(140,387)
Brokerage on share transactions		(1,461,160)	(720,778)
Other expenses		(59,210)	(129,687)
Profit/(loss) after deductions and before tax		20,051,732	18,492,347
Income tax expense		(261,424)	-
Increase/(decrease) in net assets attributable to unit holders		19,790,308	18,492,347

The above statement of comprehensive income should be read in conjunction with the accompanying notes.

COMTRUST EQUITY FUND
STATEMENT OF FINANCIAL POSITION
AS AT SEPTEMBER 30, 2017

	Note	30.09.2017 Rs.	30.09.2016 Rs.
Assets			
Cash and cash equivalents	2	3,529,686	2,987,002
Other receivables	3	123,812	117,976
Receivable from sales of shares		3,286,577	3,203,829
Financial assets held at fair value through profit or loss		162,396,354	157,302,698
Loans and receivables	4	91,825,346	135,021,319
Income tax receivable		10,094,011	9,376,853
Total assets		271,255,786	308,009,676
Unit Holders' funds and Liabilities			
Liabilities			
Payables	5	1,452,975	1,552,072
Total liabilities (Excluding net assets attributable to unitholders)		1,452,975	1,552,072
Unit Holders' Funds			
Net assets attributable to unitholders	6	269,802,811	306,457,604
Total Unit Holders' Funds and Liabilities		271,255,786	308,009,676
		-	(0)

These financial statements were approved by the Board of Directors of the Management Company and the Trustee on

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Comtrust Asset Management (Private) Limited
Fund Management Company

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Comtrust Asset Management (Private) Limited
Fund Management Company

The above statements of financial position should be read in conjunction with the accompanying notes.

COMTRUST EQUITY FUND
STATEMENT OF CHANGES IN UNITHOLDERS' FUNDS
AS AT SEPTEMBER 30, 2017

	30.09.2017	30.09.2016
	Rs.	Rs.
Unit holders' funds at beginning of year 1st April	275,372,347	291,715,731
Increase/ (decrease) in net assets attributable to unit holders	19,790,308	38,078,357
Received on unit creations	13,221,359	2,357,468
Paid on unit redemptions	(15,445,932)	(2,942,165)
Income distribution to unit holders	(23,135,271)	(22,751,786)
Unit holders' funds at end of year	6 <u><u>269,802,811</u></u>	<u><u>306,457,604</u></u>

The above statement of changes in unitholders' funds should be read in conjunction with the accompanying notes.

COMTRUST EQUITY FUND
NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED SEPTEMBER 30, 2017

1. Interest income from financial assets not held at fair value through profit and loss

	30.09.2017	30.09.2016
Interest from		
Interest on repurchase agreements	1,231,137.66	1,326,843
Interest on commercial papers	2,209,941.54	2,663,616
Interest on fixed deposits	2,086,902.96	1,592,946
	<u>5,527,982.16</u>	<u>5,583,406</u>

2. Cash and cash equivalents

Cash at bank	3,529,686	2,987,002
	<u>3,529,686</u>	<u>2,987,002</u>

3. Other receivables

Dividend receivables	117,976	117,976
Receivables on unit creation	5,836	-
	<u>123,812</u>	<u>117,976</u>

4. Loans and receivables

Repurchase agreements	24,830,321	23,263,701
Commercial papers	25,077,546	93,729,878
Fixed Deposit	41,917,480	18,027,740
	<u>91,825,346</u>	<u>135,021,319</u>

5. Payables

Management Fee Payable	1,165,534	1,040,337
Trustee fee payables	229,465	457,645
Audit fee payable	57,977	54,089
	<u>1,452,975</u>	<u>1,552,072</u>