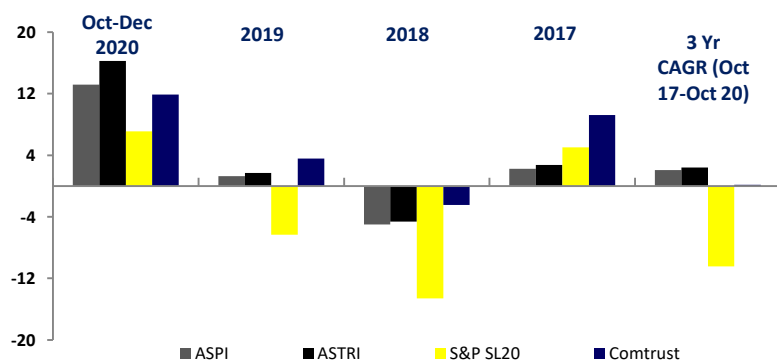


FUND MANAGER'S COMMENT

The stock market recovered steadily since May 2020, amid low interest rates, attractive valuations, containment of COVID-19 spread and gradual recovery in local economic activities. The market closed positive in December 2020 and was ranked among the best performing stock markets in the world, with the ASPI gaining +9.6%¹ MoM and +10.5%¹ YoY. We moved towards increasing our exposure to Manufacturing and Banking, Finance and Insurance stocks and decreased our exposure within the Food, Beverage and Tobacco sector in over the quarter. However, the market witnessed some volatility during the quarter, which allowed the fund to enter into profitable short term positions.

During 4Q2020, the All Share Price Index (ASPI) increased by 13.2%¹, while the All Share Total Return Index (ASTRI) and S&P SL20 increased by 13.2%¹ and 7.1%¹ respectively. The Comtrust Equity Fund (CEF) increased by 11.9% during the quarter. Foreign investors continued to be net sellers with a Net Foreign Outflow of LKR 11.2 Bn¹ during the quarter vs LKR 19.2 Bn¹ net outflow in 3Q2020. The average daily turnover for the quarter recorded LKR 2,888 Mn¹ vs LKR 1,772 Mn¹ recorded during 3Q2020.

CEF Performance vs Major Indices


ECONOMIC INDICATORS:

- Interest rates are expected to remain low in the near term. Fiscal stimulus measures implemented by the GoSL and the CBSL's accommodative monetary policy² stance to lead private sector credit growth to double digits in 2021E.
- Point to point and Annual Average Inflation recorded 4.2%³ and 4.6%³ respectively as at December 2020.
- The rupee depreciated by 0.5%² during Oct-Dec 2020 on the back of import restrictions imposed by the Government.
- GDP growth for full year 2020E is expected to record a decline c. 3.9%² YoY. CBSL expects the 2021E GDP to grow within the range of 4% - 5%².

EQUITY OUTLOOK

Our view is that the impact of COVID-19 will be negative in the medium term to the local economy, especially the tourism sector, as well as global economies. The 2021 GoSL budget is focused mostly on strengthening the local manufacturing, agriculture, dairy and fisheries industries and taking steps to further import substitution initiatives, which is a positive indicator to most sectors. On 26 Nov Fitch downgraded the sovereign rating to CCC due to uncertainty around GoSL's ability to service debt repayments, and debt burden as a percentage of GDP. This could be a potential drawback, along with the 20th Amendment to the Constitution which was passed in October, and could be viewed negatively by foreign investors. Therefore we remain cautious, based on these factors, in managing the portfolio in the near term.

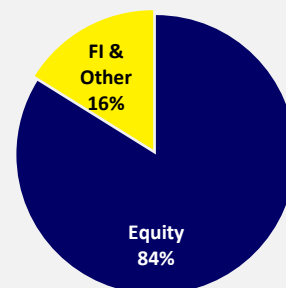
Key Statistics

4Q2020 Performance	%	11.9
NAV per Unit	Rs	16.4
AUM	Rs. Mn	175.5
Equity Exposure	%	83.9
Positions		18.0

* Past performance is not a guarantee of future returns

Top Shareholdings: 31 Dec 2020

HNB Assurance PLC
 Haycarb PLC
 CIC Holdings
 Tokyo Cement
 Hemas Holdings

Portfolio Allocation: 31 Dec 2020

Asset Allocation: 31 Dec 2020

Equity	83.9%
Materials	24.1%
Food Beverage & Tobacco	17.2%
Banks	14.6%
Capital Goods	11.6%
Insurance	8.6%
Consumer Durables & Apparel	7.9%
Fixed Income	16.1%
Commercial Papers	8.6%
Cash & Equivalents	6.4%

Fund Information

Type	Open Ended
Trustee	HNB
Management Fee	2.0% p.a.
Front End Fee	3.0% p.a.
Min. Inv	Rs. 1,000/-
Dividends	Annually

**JEEVAN SUKUMARAN | General Manager**

jeevan@comtrust.lk

Jeevan is an Associate member (ACMA CGMA) of the Chartered Institute of Management Accounts (CIMA) UK. He is also an Associate Member (ACIM) of the Chartered Institute of Marketing (CIM) holding a Professional Diploma in Marketing. Jeevan counts almost 13 years experience in the fields of Equity Analysis and Research, Portfolio Management, Corporate Finance, Investment Banking and Financial Advisory. Prior to joining Comtrust, he was the Country Manager (SL) for an International organization in Sri Lanka. Jeevan joined Comtrust in 2007 before being transferred to CT CLSA Capital, Comtrust's parent company, in 2010.

**MAURYA PADMASANKA | Fund Manager**

maurya@comtrust.lk

Maurya is a graduate from University of Moratuwa and also a member of the Chartered Financial Analysts (CFA), USA. Prior to joining Comtrust, he gained capital market experience with a UK based Asset Manager and a full-service Dutch Investment Bank as an Equity Analyst, working for Acuity Knowledge Partners and counts 7 years of overall experience.

Sources¹ CSE² CBSL³ Department of Census and Statistics**DISCLAIMER**

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