

Fund Objective

The investment objective of the fund is to provide its clients with medium to long-term capital appreciation with periodic returns by employing pro-active investment strategies in the Sri Lankan equities market. The fund is registered in the Cayman Islands and as a restricted foreign scheme with Monetary Authority of Singapore. The fund is managed by Guardian Fund Management Ltd., the managers of the largest private sector held equity fund in Sri Lanka.

Fund Information

Name	The Sri Lanka Fund
Fund Manager	Guardian Fund Management Limited
Promoters	Ceylon Guardian Investment Trust PLC Group
Custodian & Administrator	Deutsche Bank
Fund Structure	Open Ended Fund. Dealing days – First Tuesday of the month
Legal Entity	Limited Liability Company
Domicile	Cayman Island and registered as a restricted foreign scheme with the Monetary Authority of Singapore
Date of Inception	21st October 1993 (relaunched in August 2010)
Regulated by	The Cayman Island Monetary Authority
Listing	The fund is not currently listed
Current Fund Size	US\$ 2.23 Million
Cost to the Investor	Front End fee: US\$ 50,000 to US\$ 100,000 - 1.5%. Negotiable for subscriptions over US\$ 100,000.
Costs to the Fund	Management fee: 1.5 % of Net Asset Value p.a. annum
	Custodian fees: 0.15% of NAV or Minimum of US\$ 6,000 + Fixed Charge of US\$ 10,000 for Fund Accounting
	Legal, Audit & Other direct Expenses
Minimum Initial Investment	US\$ 50,000 (Mini. Subsequent Investment US\$ 10,000)
Subscription and Redemption Frequency	Every Tuesday in Sri Lanka shall be determined as a Valuation Day. The first Valuation Day of each month is a Dealing Day. Subscriptions and redemption of Shares are carried out on Dealing Days
Redemption Notice Period	5 clear business days prior to next dealing day
Redemption Fee	Maximum of 0.5% of the redeemed value
Lock-up Period	None
Liquidity Constraints	The Manager, on the Directors' behalf, may limit redemptions to 10 per cent. of the total outstanding Participating Shares in any Dealing Period

Exposures In Different Sectors

Sector Exposure	As a % of Total Portfolio
Banking, Finance & Insurance	44.4%
Diversified Holdings	16.2%
Beverage, Food & Tobacco	10.6%
Manufacturing/Construction	9.5%
Telecommunications	8.6%
Footwear & Textiles	2.1%
Hotels & Travels	1.5%
Power and energy	0.0%
Cash and Cash Equivalent	7.1%

Top 5 Holdings

Top 5 Holdings	As a % of Total Portfolio
Cargills (Ceylon) PLC	10.6%
Hatton National Bank PLC	9.4%
Dialog Telekom PLC	8.6%
Ceylinco Insurance PLC	7.7%
NATIONS TRUST BANK PLC	7.4%

Asset Allocation

Asset Allocation	As a % of Total Portfolio
Cash & Cash Equivalent	7.1%
Equity Investments	92.9%

Fund Performance

Period	Fund	ASPI**	S&P SL 20**
Month	0.00%	-1.32%	-2.55%
3 Months	-8.43%	-7.40%	-11.12%
YTD 2018	-8.43%	-7.30%	-13.05%
Since Relaunch (08/2010)	-3.80%	-15.06%	-17.77%

A look at July 2018

Global equity markets remained optimistic despite the increasing trade tension between US and some of its trade partners. Strong macro-economic data and corporate earnings growth propelled the developed equity markets, recording a gain of 3.7% for US (S&P 500) and 4.0% for Europe (MSCI EU ex UK) in July. Emerging market retreated from the previous month's drop of 2.4%, recording a 1.8% return.

CSE indicated a marginal recovery to start off the month with selective bargain hunting seen in several blue chips which brought back some investor confidence. However the overall sentiments took a negative turn towards end of the month as broader ASI was seen gliding down on thin trade to close with a -0.76% decline. The downward revision of GDP growth estimates by the CBSL and weak earnings announcements impacted by overall economic slowdown affected market sentiment. Meanwhile foreigners continued to exit SL equities recording an Rs 1.2 bn net outflow with notable selling interest witnessed in JKH, COMB & HHL during the month.

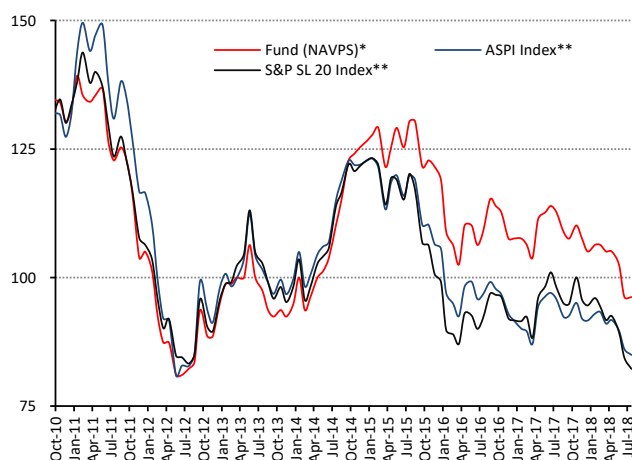
During the month under review the fund retained its value compared with a 1.32% decline (Dollar terms) in benchmark ASI. Recovery in price of LLUB (+12.5%), Commercial Bank and Ceylinco Insurance contributed positively to the fund performance during the month.

Recent government initiatives to fast track rural development projects 'Gamperaliya' and Enterprise Sri Lanka programme may create short term boost in overall subdued consumption, construction related activities and augment the economic growth over the coming few quarters. This indicates potential to improve the corporate earnings which have indicated weakness in the past few quarters. Therefore, we continue to remain invested with companies with attractive fundamentals as relative valuations of the CSE are at its lowest levels in recent history.

Manager's Performance - 5 Year CAGR

Portfolio/Index	CAGR (Since 31/12/12)
Group Portfolios - Discretionary	7.78%
All Share Price Index	2.40%
S&P SL 20	3.55%

The Fund vs. The Market



* NAVPS - Net Asset Value Per Share

**Adjusted for the movements in foreign exchange rates

All details are intended purely for information purposes and on no account may the information supplied be construed as investment recommendations. Interested persons should consult a qualified specialist before taking investment decisions