

### 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

<b>Name</b>	The Sri Lanka Fund
<b>Fund Manager</b>	Guardian Fund Management Limited
<b>Promoters</b>	Ceylon Guardian Investment Trust PLC Group
<b>Custodian &amp; Administrator</b>	Deutsche Bank
<b>Fund Structure</b>	Open Ended Fund. Dealing days – First Tuesday of the month
<b>Legal Entity</b>	Limited Liability Company
<b>Domicile</b>	Cayman Island and registered as a restricted foreign scheme with the Monetary Authority of Singapore
<b>Date of Inception</b>	21st October 1993 (relaunched in August 2010)
<b>Regulated by</b>	The Cayman Island Monetary Authority
<b>Listing</b>	The fund is not currently listed
<b>Current Fund Size</b>	US\$ 2.23 Million
<b>Cost to the Investor</b>	Front End fee: US\$ 50,000 to US\$ 100,000 - 1.5%. Negotiable for subscriptions over US\$ 100,000.
<b>Costs to the Fund</b>	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
<b>Minimum Initial Investment</b>	US\$ 50,000 (Mini. Subsequent Investment US\$ 10,000)
<b>Subscription and Redemption Frequency</b>	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
<b>Redemption Notice Period</b>	5 clear business days prior to next dealing day
<b>Redemption Fee</b>	Maximum of 0.5% of the redeemed value
<b>Lock-up Period</b>	None
<b>Liquidity Constraints</b>	The Manager, on the Directors' behalf, may limit redemptions to 10 per cent. of the total outstanding Participating Shares in any Dealing Period

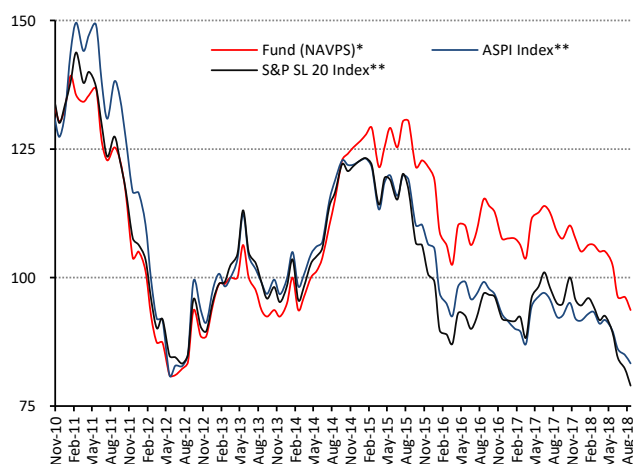
### Exposures In Different Sectors

Sector Exposure	As a % of Total Portfolio		
<b>Banking, Finance &amp; Insurance</b>	<b>43.1%</b>		
<b>Diversified Holdings</b>	<b>14.4%</b>		
<b>Beverage, Food &amp; Tobacco</b>	<b>11.1%</b>		
<b>Manufacturing/Construction</b>	<b>8.6%</b>		
<b>Telecommunications</b>	<b>7.4%</b>		
<b>Footwear &amp; Textiles</b>	<b>2.0%</b>		
<b>Hotels &amp; Travels</b>	<b>1.3%</b>		
<b>Power and energy</b>	<b>0.0%</b>		
<b>Cash and Cash Equivalent</b>	<b>12.1%</b>		
<b>Top 5 Holdings As a % of Total Portfolio</b>			
<b>Cargills (Ceylon) PLC</b>	<b>11.1%</b>		
<b>Hatton National Bank PLC</b>	<b>9.3%</b>		
<b>Ceylinco Insurance PLC</b>	<b>8.5%</b>		
<b>Nations Trust Bank Plc</b>	<b>7.6%</b>		
<b>Dialog Telekom PLC</b>	<b>7.4%</b>		
<b>Asset Allocation As a % of Total Portfolio</b>			
<b>Cash &amp; Cash Equivalent</b>	<b>12.1%</b>		
<b>Equity Investments</b>	<b>87.9%</b>		
<b>Fund Performance</b>			
Period	Fund	ASPI**	S&P SL 20**
<b>Month</b>	<b>-2.63%</b>	<b>-1.94%</b>	<b>-3.96%</b>
<b>3 Months</b>	<b>-8.64%</b>	<b>-7.12%</b>	<b>-11.67%</b>
<b>YTD 2018</b>	<b>-10.84%</b>	<b>-9.10%</b>	<b>-16.49%</b>
<b>Since Relaunch (08/2010)</b>	<b>-6.33%</b>	<b>-16.71%</b>	<b>-21.03%</b>

### A look at August 2018

August added more fuel to the current trade tensions as US threatened to apply a 25% tariff on USD 200 bn of Chinese goods instead of previously announced 10% tariff. The reintroduction of sanctions against Iran and imposition of new tariffs on Turkey's aluminium and steel by US also elevated trade tensions to new levels in August. This brought down most emerging market and developed market equities except for the US market as strong US economic data overshadowed the geopolitical turmoil. Colombo was no exception, net foreign selling continued with the month recording a net foreign outflow of Rs 1.66 bn with considerable selling witnessed in heavyweight John Keells Holdings. CSE's All Share Price Index dropped by 1.09% and the more liquid S&P 20, dropped 3.13% during the month. The weak sentiment was exacerbated by a number of amendments to the Finance Act giving effect to several delayed new tax proposals announced under Budget 2018 including debt repayment levy on the banking & finance sector (a 7% levy on the same financial VAT base) and telco tower levy. Furthermore the announcement of the removal of floor rate for voice charges which could negatively impact on margins of the telco operators. However, towards end of the month the CSE showed some recovery driven by announcements on EPF's plans to resume investment in CSE which has been halted since 2015. During the month fund recorded a 2.63% decline compared with 1.94% dollar adjusted drop in benchmark ASI. The fund's top weight Dialog telecom experienced a sharp price drop of 15.5% during the month following the announcement of tower levy (which is expected to have about Rs 400-500 impact on bottom line) and the removal of floor rate on call charges triggering concerns for investors. Being the market leader, Dialog will not benefit from any kind of price war as inelastic demand for voice calls and gaining a low value incremental market share have less value addition than loss in profit margin. However, it is too early to predict the reactions of the other operators or quantify any impact but we maintain a degree of cautiousness. The relatively weak earnings amidst subdued economic conditions, potential imposition of further taxes on corporates from the upcoming budget which is expected to be people friendly, continued emerging market volatility which is likely to keep foreign investors on a cautionary note, are likely to hinder short term performance of the CSE. However we believe current weakness could be an opportunity to collect companies with strong fundamentals at considerable discounts.

### 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

### Manager's Performance - 5 Year CAGR

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