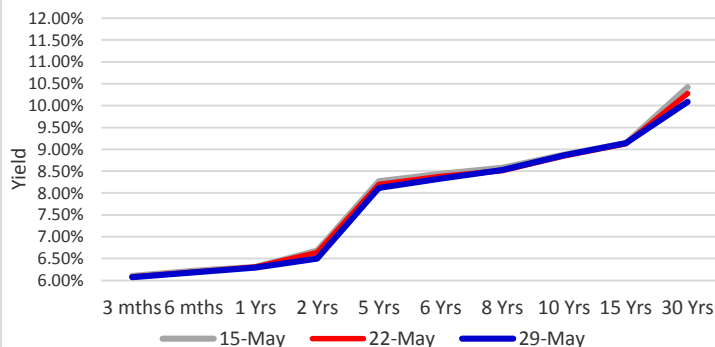
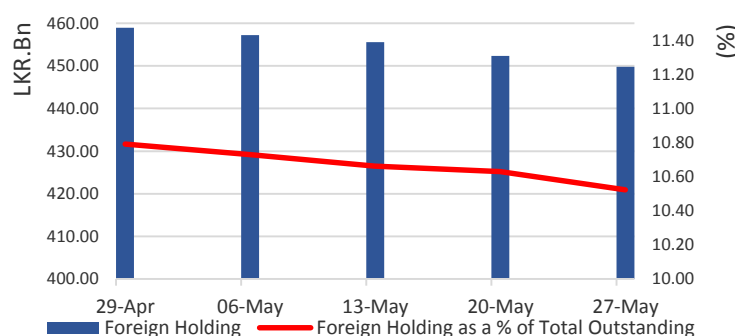


Economic Indicators: LKR/USD 136.33 (1.16% WoW) | AWPR: 6.95% (1.42% WoW) | AWDR: 5.95% (2.06% MoM) | ASPI: 7,220 (0.95% WoW) | S&P SL20: 4,001 (1.62% WoW)

Government Securities movement



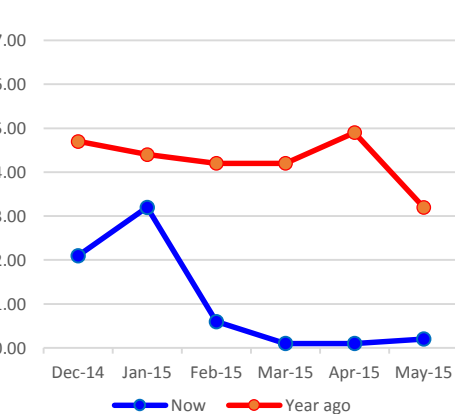
Foreign holding on Government securities



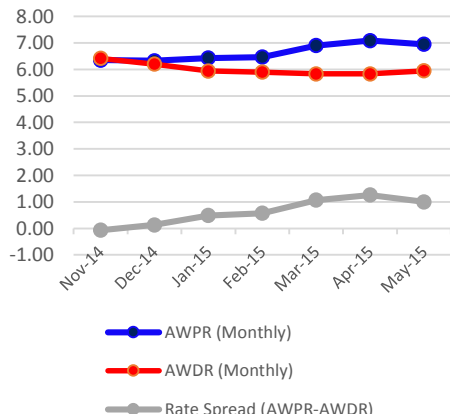
Market	Period	29-May	22-May	Change %
Primary Market	3 mths	6.07%	6.08%	-0.16%
	6 mths	6.18%	6.19%	-0.16%
	1 Yrs	6.29%	6.31%	-0.32%
Secondary Market	2 Yrs	6.50%	6.64%	-2.11%
	5 Yrs	8.12%	8.20%	-0.98%
	6 Yrs	8.33%	8.38%	-0.60%
	8 Yrs	8.53%	8.51%	-0.24%
	10 Yrs	8.86%	8.85%	0.11%
	15 Yrs	9.14%	9.13%	0.11%
30 Yrs	10.09%	10.28%	-1.85%	

- Average Weighted Prime Lending Rate (AWPR): 6.95%. It has reduced by 1.42% compared to last week.
- Average Weighted Deposit Rate (AWDR): 5.95% (May), 5.83% (Apr).
- Average Weighted Fixed Deposit Rate (AWFDR): 7.12% (May) and 6.87% (Apr).
- SLIBOR Rates : 6.11% (1Day), 6.28%(7Days), 6.53%(1Month), 6.79%(3Months), 7.05%(6Months), 7.34%(1Yr).
- Inflation (YoY change): 0.2% (May) and 0.1% (Apr).

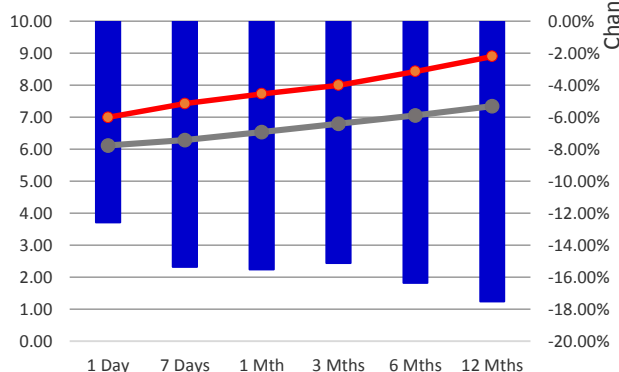
Inflation



Policy Rates



Sri Lanka Interbank Offer rates

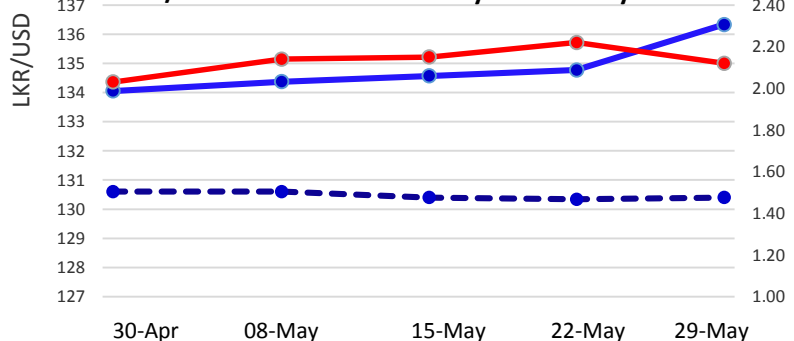


LKR EXCHANGE RATE MOVEMENT

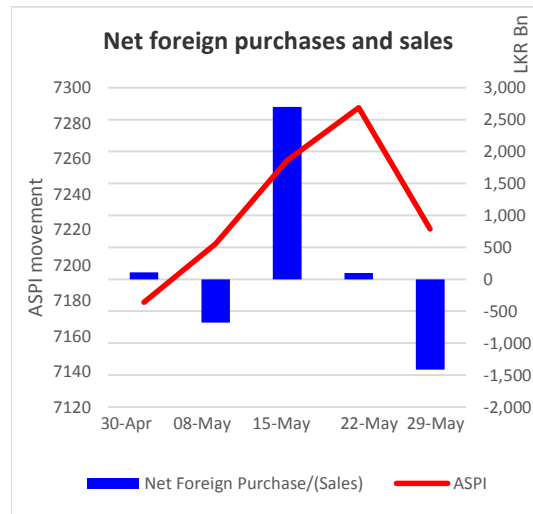
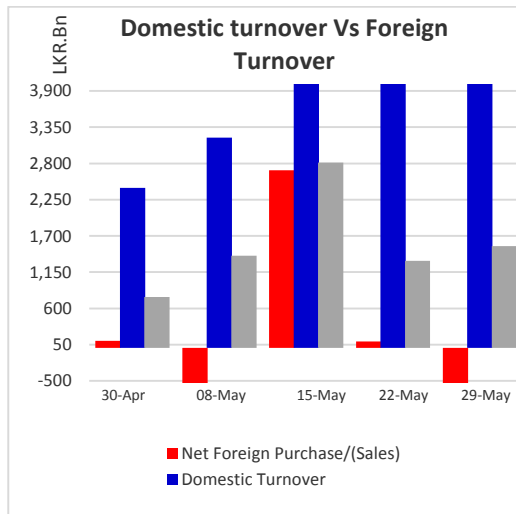
- LKR depreciated over the week by 1.16% against USD from LKR/USD 134.77 to 136.33.
- One month forward rate of LKR/USD is 134.43 (Last week 134.16), three month forward rate is 136.64 (Last week 135.92)

	30-Apr	8-May	15-May	22-May	29-May
INR 2015	2.09	2.08	2.10	2.10	2.10
INR 2014	2.16	2.16	2.20	2.22	2.21
RM 2015	37.40	36.93	37.33	37.26	36.76
RM 2014	40.00	40.19	40.35	40.65	40.45

LKR/USD movement Vs US 10 year Treasury Bond



- All Share Price Index: 7,220 points as at 29th May 2015.
- S&P 20: 4,001 points as at 29th May 2015.
- ASPI decreased by 69 points WoW which is 0.95%.
- S&P 20 decreased WoW by 66 points, reflecting a 1.62% negative variation.
- Net Foreign outflow: LKR. 1415Mn.
- Last week recorded a Net foreign inflow LKR. 97Mn.
- Market capitalization: LKR.3,067Bn which is 0.94% decrease compared to last week.
- Market PE: PE recorded as 19.47 in this week and it has decreased by 0.82% from the last week.



LOCAL NEWS

Textured Jersey Lanka has decided to proceed with the acquisition of Quenby Lanka Prints for US\$ 3.5 million. The total consideration in order to acquire the shares will be paid in cash to the shareholders of Quenby Lanka. Quenby Lanka which is a joint venture between Brandix Lanka Limited and Trust Family industries is one of the major fabric printers in the country, located in the Seethawaka International Industrial Park is also registered with the Board of investments of Sri Lanka. "In addition to the printing capability enhancement for TIL, the acquisition also offers potential for further capacity optimization and margin improvement through synergies. As a strategically located vendor, over the years Quenby Lanka has developed a strong working relationship with TJL," an official from Textured Jersey said.

(Source: Daily News - 27.05.2015)

Sri Lanka's second largest trading partner in SAARC, Pakistan has shown positive signs in increasing annual bilateral trades to \$1Bn. The total trades between the two countries was recorded as \$354Mn in 2014. Sri Lanka's leading exports to Pakistan in 2014 were pepper (\$15Mn), vegetables and betel leaves (\$12m), natural rubber (\$12Mn) and coconut products (\$10Mn). "Our bilateral relations go back to 1948. And we are ever grateful to Sri Lanka for the support it extended to us in 1971," High Commissioner Hussain said.

(Source: Daily FT - 28.05.2015)

MTD Walkers PLC recorded Rs. 1.148Bn profit after tax during the financial year ended 31 March 2015 with a growth of 91.0% compared to the previous year. The company also posted a 39.1% compound annual revenue growth for the sixth consecutive year. The company recently acquired Wincon Development Ceylon Ltd, a property development company registered with the Board of investments in Sri Lanka, for residential property development for both public and private sectors. The acquisition was made through the rights issue of Rs. 2.4 Bn. MTD Walkers PLC was able to achieve the best financial performance in the 161 year history.

(Source: Daily FT- 28.05.2015)

GLOBAL NEWS

America's economic growth had a downfall during the first quarter of 2015 which resulted in a -0.7% fall in the GDP whereas the Government had expected a first quarter economic growth of 0.2%. As a result the Federal Reserve will not be able to increase the interest rates due to the negative economic growth. The Commerce Department that it will amend how it calculates the GDP starting with the second quarter. The main purpose of the amendments is to remove more "residual seasonality". On the other hand there have also been concerns that the government had underestimated the winter GDP for many years.

(Source: CNNMoney- 29.05.2015)

Representatives of OPEC member states have projected that the need for crude oil will rise in the second half of the year. The Organization of Petroleum Exporting Countries' Economic Commission Board had estimated the demand for crude oil to increase to 30.5million barrels a day during the second half of the year which is a 2million increase compared to the first half of the year, but lower than the current output. Since the reduction in prices, major oil companies have reduced investments worldwide from 10% to 15% while smaller companies have cut down the investments by 40%. As a result, the global investment in oil production is expected to fall by \$100Bn this year.

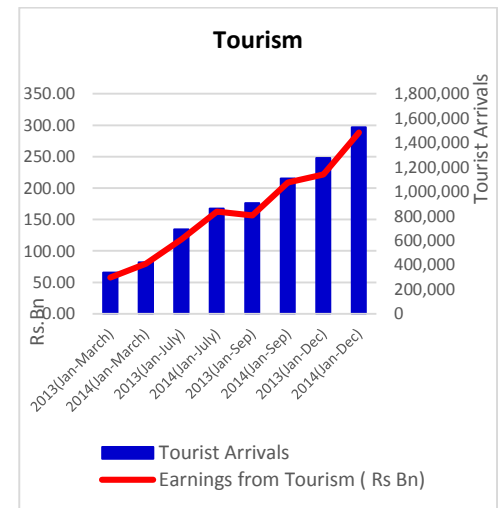
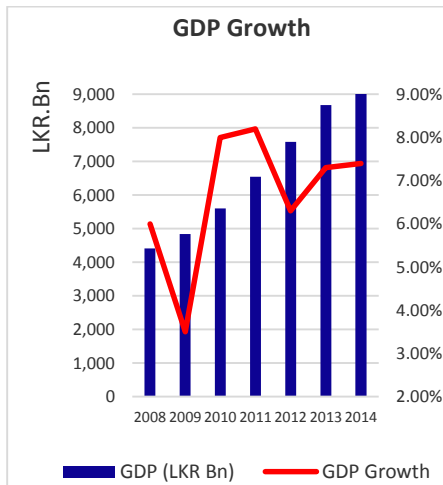
(Source: Bloomberg - 29.05.2015)

The United States had recorded the highest usage of green energy since 1930 which is 9.8% of total energy needs of the country that includes energy used for homes, buildings, industry, vehicles and other uses. Use of renewable energy has grown by 5% annually since 2001. Hydro, wood and biofuels have dominated the green energy production whereas wind energy has achieved the largest growth rate.

(Source: CNNMoney- 28.05.2015)

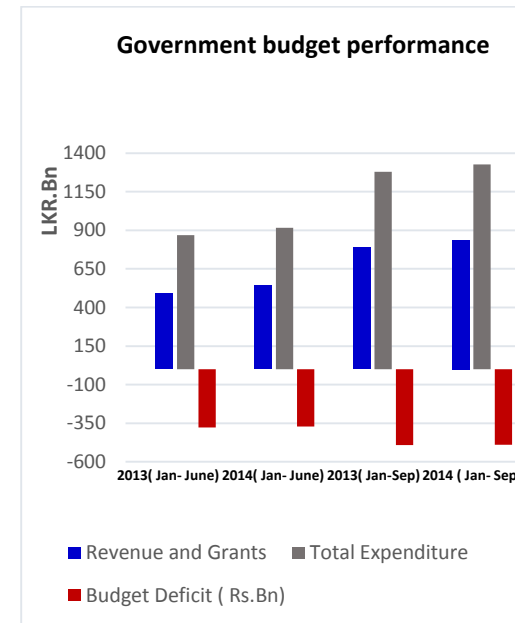
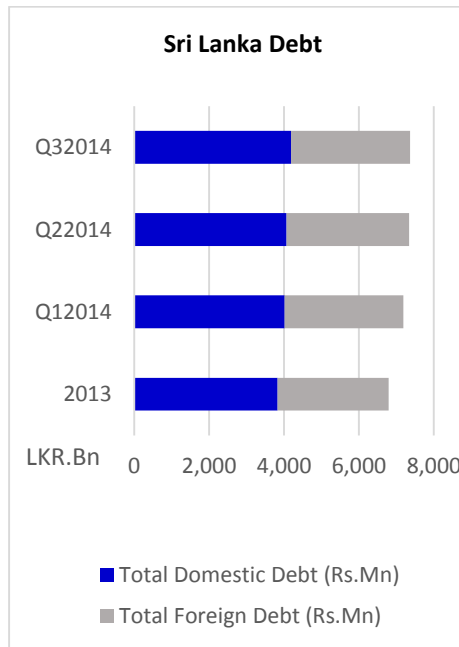
GDP and Economy

- The GDP of 2014 depicts a steady growth of 7.4% when compared to last year. The Service sector contribution was higher than the agriculture and industry sectors which was 57.6%.
- The agriculture sector, industry sector and Service sector real GDP recorded in 2014 (as per the prices in 2002) were LKR. 353,799Mn, LKR.1,132,892Mn and LKR. 2,019,973Mn respectively.
- Unemployment rate was 4.3% in 2014 compared to 4.4% in the previous year.



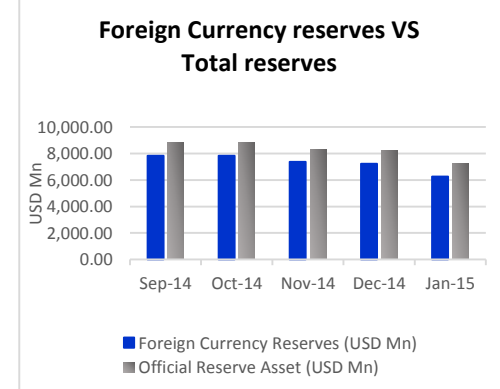
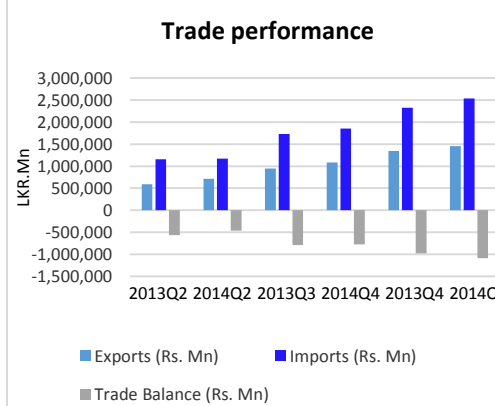
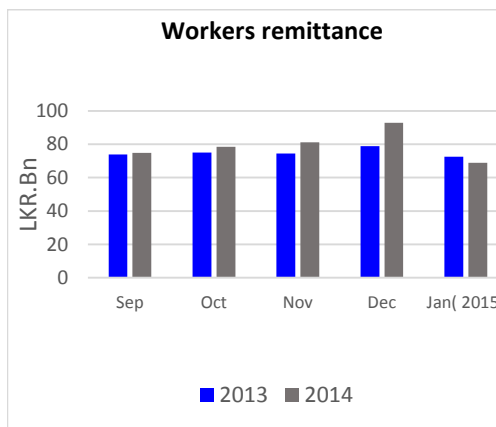
SRI LANKA FISCAL PERFORMANCE

According to the quarterly financial economic indicators, the Total Outstanding Government debt increased by LKR. 575.7Bn to LKR. 7368.9Bn in 2014. The domestic debt was increased by LKR. 353.2Bn in 2014 whereby the majority of the domestic debt comprised of Treasury bonds. The Foreign debt increased by LKR. 222.5Bn mainly due to the issuance of International Sovereign Bond in USD. The Government revenue increased by 5.6% in the first nine months of 2014, due to the tax revenue collected. The budget deficit was narrowed by LKR. 2.1Bn in first nine months of 2014 compared to 2013.

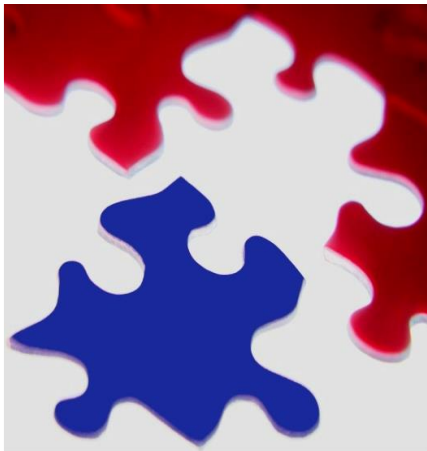


	2011	2012	2013
GOVERNMENT DEBT/GDP (%)	78.5	79.2	78.3
DOMESTIC DEBT/ GDP (%)	42.9	42.7	44.2
FOREIGN DEBT % OF GDP	35.6	36.5	34.1

SRI LANKA EXTERNAL SECTOR



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2. PORTFOLIO MANAGEMENT
3. CORPORATE RESTRUCTURING

Kenanga Investment Corporation Ltd (KICL) was established in Sri Lanka in 2007 and specializes in capital markets activities with core strengths in investment banking and fund management. KICL is the overseas investment arm of Malaysian listed company K & N Kenanga Holdings Berhad (KNKH), a long established financial group in Malaysia with 40 years of collective experience in equity broking,



KENANGA
INVESTMENT FOR ALL

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- IPO – Equity and Debt
- Private Placements
- Rights Issues
- Mergers and Acquisitions
- Corporate Syndicated Loan Facilities

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- Listed Equity
- Fixed Income Securities
- Kenanga Retirement Plan (KRP)

CORPORATE RESTRUCTURING

- Balance Sheet Restructuring
- Corporate Restructuring

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The funds will be invested at the equity or corporate debt markets depending on the client's preference. This could be structured according to a period desired by the customer--be it five, ten or 15 years or a period specified by the investor.



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