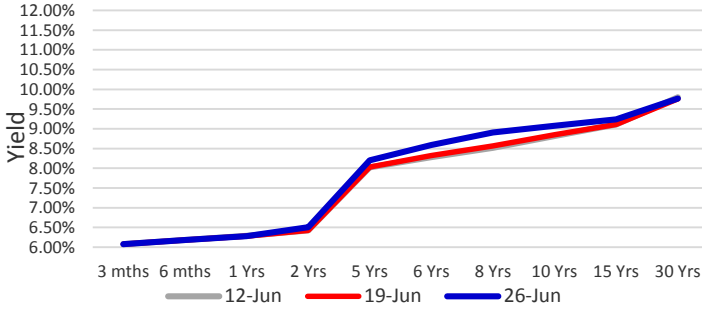
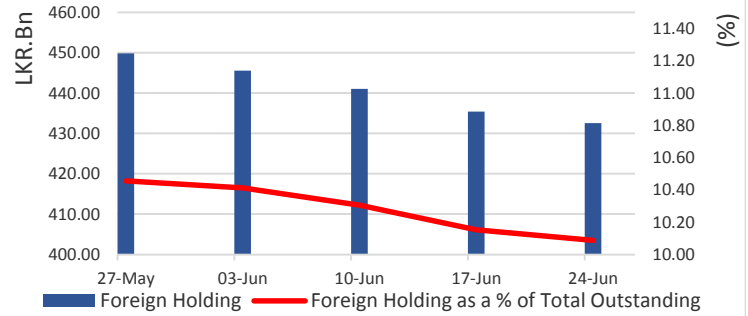


Economic Indicators: LKR/USD 133.68 (0.40% WoW) | AWPR: 7.13% (2.87% WoW) | AWDR: 5.95% (2.06% MoM) | ASPI: 7,016 (0.27% WoW) | S&P SL20: 3,901 (0.13% WoW)

Government Securities movement



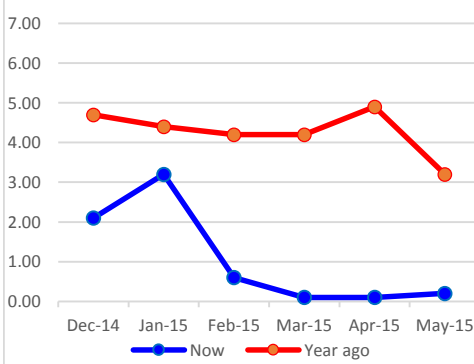
Foreign holding on Government securities



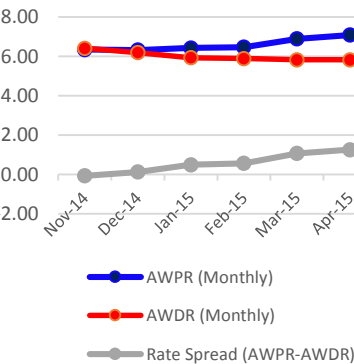
Market	Period	26-Jun	19-Jun	Change %
Primary Market	3 months	6.08%	6.08%	0.00%
	6 months	6.18%	6.18%	0.00%
	1 Year	6.28%	6.28%	0.00%
Secondary Market	2 Years	6.51%	6.43%	1.24%
	5 Years	8.20%	8.03%	2.12%
	6 Years	8.59%	8.32%	3.25%
	8 Years	8.91%	8.57%	3.97%
	10 Years	9.08%	8.85%	2.60%
	15 Years	9.24%	9.11%	1.43%
	30 Years	9.77%	9.76%	0.10%

- Average Weighted Prime Lending Rate (AWPR): 7.13%. It has increased by 2.87% 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), 6.25%(7Days), 6.48%(1Month), 6.72%(3Months), 6.97%(6Months), 7.26%(1Yr).
- Inflation (Annual average change): 1.9% (May) and 2.1% (Apr).

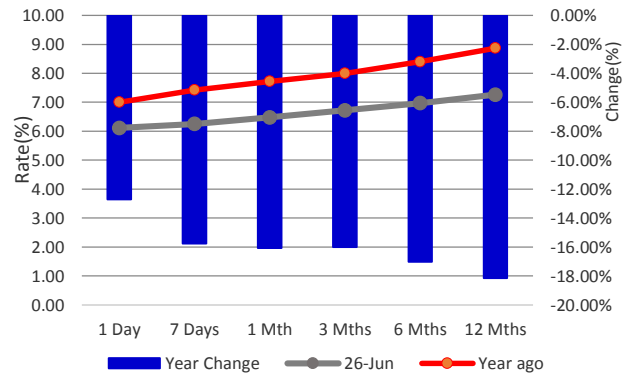
Inflation



Policy Rates



Sri Lanka Interbank Offer rates

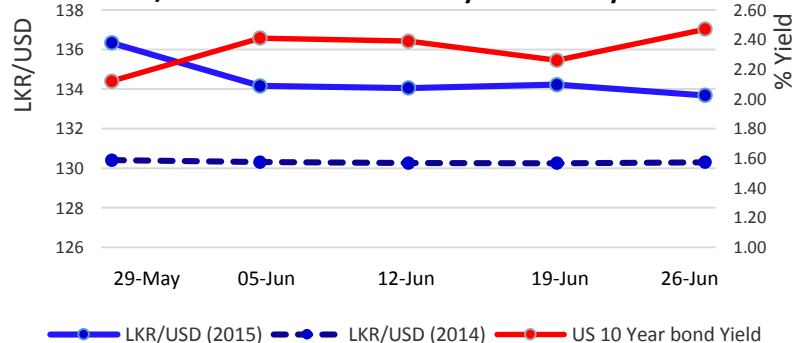


LKR EXCHANGE RATE MOVEMENT

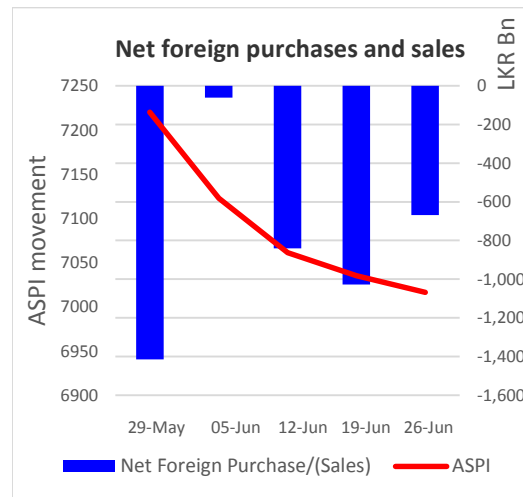
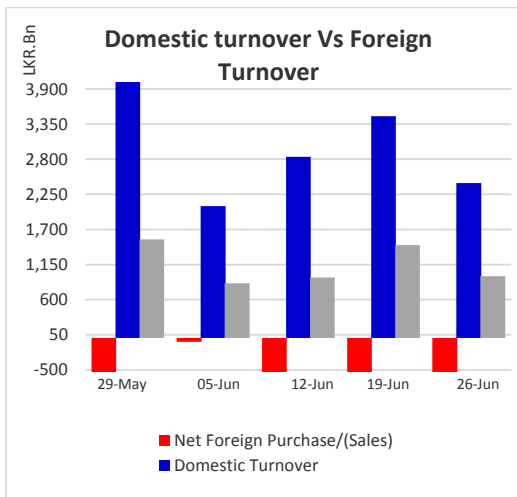
- LKR appreciated over the week by 0.40% against USD from LKR/USD 134.22 to 133.68.
- One month forward rate of LKR/USD is 134.45 (Last week 134.59), three month forward rate is 135.48 (Last week 135.80)

	29-May	05-Jun	12-Jun	19-Jun	26-Jun
INR 2015	2.10	2.10	2.09	2.11	2.10
INR 2014	2.21	2.20	2.20	2.16	2.17
RM 2015	36.76	36.10	35.79	36.11	35.56
RM 2014	40.45	40.30	40.56	40.48	40.47

LKR/USD movement Vs US 10 year Treasury Bond



- All Share Price Index: 7,016 points as at 26th June 2015.
- S&P 20: 3,901 points as at 26th June 2015.
- ASPI decreased by 19 points WoW which is 0.27%.
- S&P 20 decreased WoW by 05 points, reflecting a 0.13% negative variation.
- Net Foreign outflow: LKR. 1,027Mn.
- Last week recorded a Net foreign outflow LKR. 668Mn.
- Market capitalization: LKR.2,981Bn which is 0.27% decreased compared to last week.
- Market PE: PE recorded as 17.83 in this week and it has decreased by 0.83% from the last week.



LOCAL NEWS

The World Bank Board approved a \$ 50 million credit to improve the quality and increase equitable access to Early Childhood Development (ECD) services in Sri Lanka. Early investment in human capital development is particularly effective at increasing the ability of disadvantaged children to access learning opportunities. It will also contribute to improve learning outcomes and support Sri Lanka to become more competitive in the global economy in the long run. The Government of Sri Lanka (GoSL) is emphasizing the importance of human capital formation, including the role of ECD, in realizing the country's long-term development goals.

(Source: Daily FT - 26.06.2015)

John Keells Holdings PLC (JKH) has finalized the US\$ 395 million debt financing required for its flagship Waterfront mixed development project from a renegotiated syndicated loan through Standard Chartered Bank. When the new regime placed restrictions on gaming facilities, JKH changed the scope of the project to focus on MICE tourism, hence 'Cinnamon Life' as its theme. This has reduced the cost of the project, which was initially estimated at US\$820 million. JKH had acquired US\$ 100 million of the total last year through a bridging loan from Standard Chartered. The loan is considered to be the largest borrowing by a private entity in Sri Lanka.

(Source: Daily Mirror - 26.06.2015)

The secondary bond market continued to remain active as yields declined for a second consecutive day on the back of continued buying interest. Meanwhile, at today's (25th June 2015) weekly Treasury bill auction, all three weighted averages held steady as the total accepted amount was seen falling short of the total accepted amount for the first time in three weeks. The shortfall in the accepted amount was Rs. 7.30 billion against its total offered amount of Rs. 22 billion with the 182-day bill representing 47.8% of this amount. Meanwhile, in money markets, overnight call money and repo rates remained steady to average 6.10% and 5.82% respectively despite surplus liquidity decreasing further to Rs. 59.73 billion yesterday (24th June 2015).

(Source: Daily FT- 25.06.2015)

GLOBAL NEWS

The International Monetary Fund said it still expects Greece to repay \$1.7 billion due, as the lender and other creditors struggled to reach a last-minute accord with the nation to keep it from running out of cash. The IMF's other deadbeat countries currently include Sudan, Somalia and Zimbabwe, with combined overdue payments of about \$1.8 billion. Given the visibility of the Greek case, IMF Managing Director Christine Lagarde wouldn't follow fund guidelines that call for a one-month delay until she formally notifies the lender's board of a missed payment. Lagarde was in Brussels meeting with euro-area finance ministers to discuss the latest dueling proposals between Greece and its creditors, including the fund.

(Source: Bloomberg- 25.06.2015)

The S&P 500 closed flat on Friday (26th June) but ended lower for the week, with investors cautious ahead of a meeting in Europe that could decide whether Greece will default on critical loans. The Dow closed higher, boosted by strong results from component Nike Inc (NKE.N), while the Nasdaq ended solidly lower on disappointing results from Micron Technology Inc (MU.O), which weighed on chipmakers like Intel. In Europe, Greece rejected a five-month extension of bailouts on Friday (26th June), a day before euro zone finance ministers will meet to decide the country's fate. Greece needs fresh funds to avoid defaulting on a \$1.8 billion debt repayment to the International Monetary Fund on June 30. If it defaults, it may have to leave the euro or the European Union, potentially shaking the region's economic foundations.

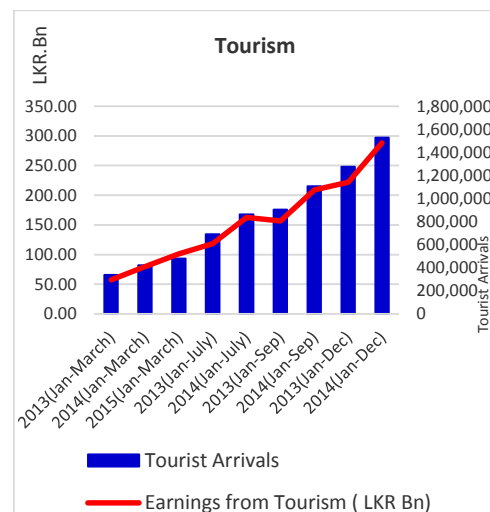
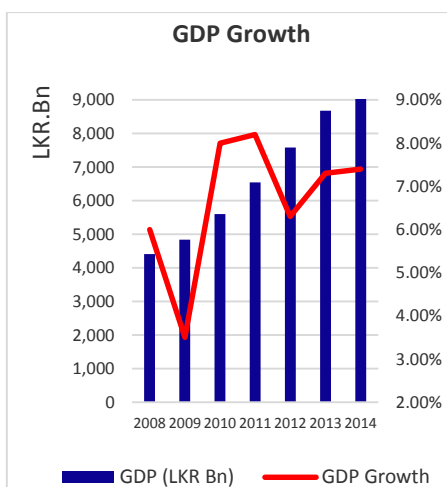
(Source: Reuters - 26.06.2015)

Canada's Element Financial (EFN.TO) is close to buying a large chunk of General Electric Co's (GE.N) vehicle fleet-management business in a deal that could be sealed as early as the end of June. GE has said the business includes \$9 billion in assets. The sale would be part of a plan it unveiled in April to divest about \$200 billion in GE Capital assets as it moves away from finance and focuses on manufacturing of industrial equipment. The sources said Element is mainly interested in the North American portion of GE's fleet-management unit. GE's private-equity lending portfolio was scooped up by the Canada Pension Plan Investment Board earlier in June for \$12 billion.

(Source: Reuters- 26.06.2015)

GDP and Economy

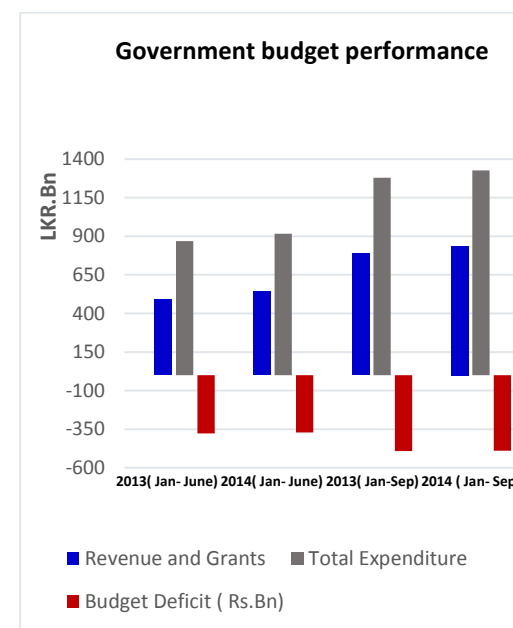
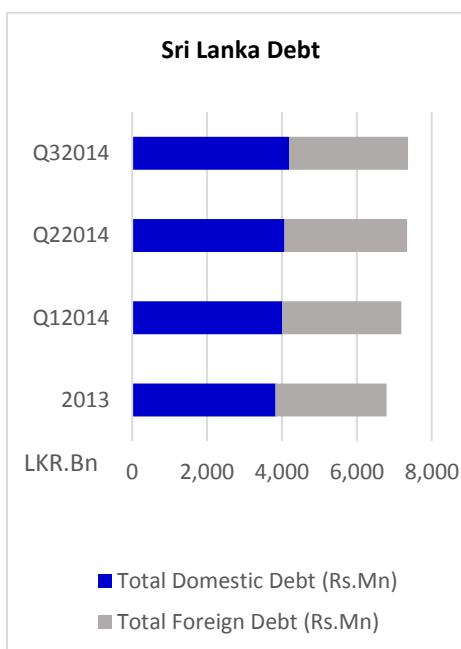
- The GDP of 2014 depicts a steady growth of 7.4% when compared to last year. The Service sector contribution was higher than the agriculture and industry sectors which was 57.6%.
- The agriculture sector, industry sector and Service sector real GDP recorded in 2014 (as per the prices in 2002) were LKR. 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.



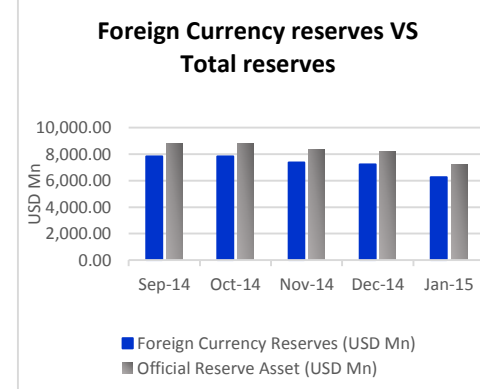
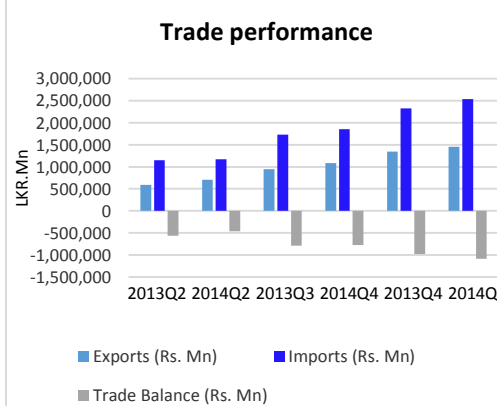
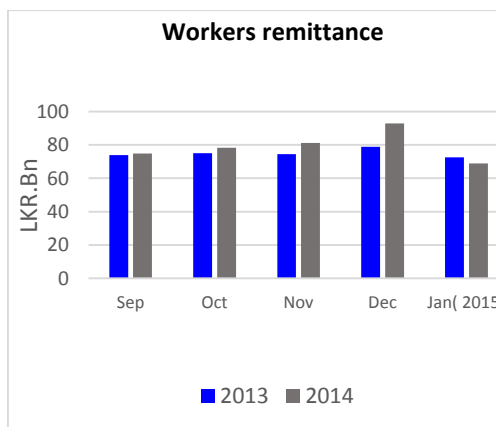
SRI LANKA FISCAL PERFORMANCE

Debt service indicators improved during 2014. Debt service payments, which include amortization and interest payments declined to 11.0 per cent of GDP in 2014 from 13.4 per cent of GDP in the previous year. The ratio of total interest payments to GDP declined to 4.5 per cent in 2014 from 5.3 per cent in 2013, mainly due to the decline in domestic interest payments with lower interest rates in the market. Domestic interest payments to GDP declined to 3.4 per cent in 2014 from 4.1 per cent in 2013.

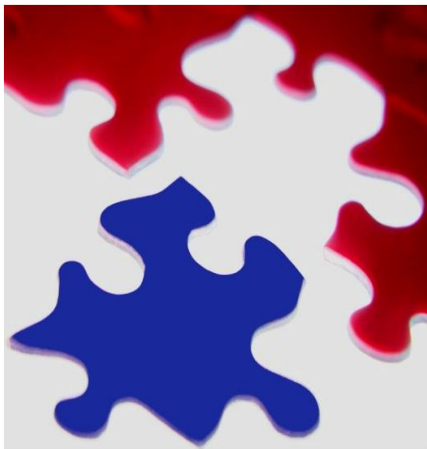
	2011	2012	2013	2014
GOVERNMENT DEBT/GDP (%)	78.5	79.2	78.3	75.5
DOMESTIC DEBT/ GDP (%)	42.9	42.7	44.2	43.7
FOREIGN DEBT % OF GDP	35.6	36.5	34.1	31.8
BUDGET DEFICIT/GDP (%)	-6.9	-6.5	-5.9	-5.2



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,



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- Rights Issues
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- Kenanga Retirement Plan (KRP)

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- Balance Sheet Restructuring
- Corporate Restructuring

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A smart investment idea

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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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