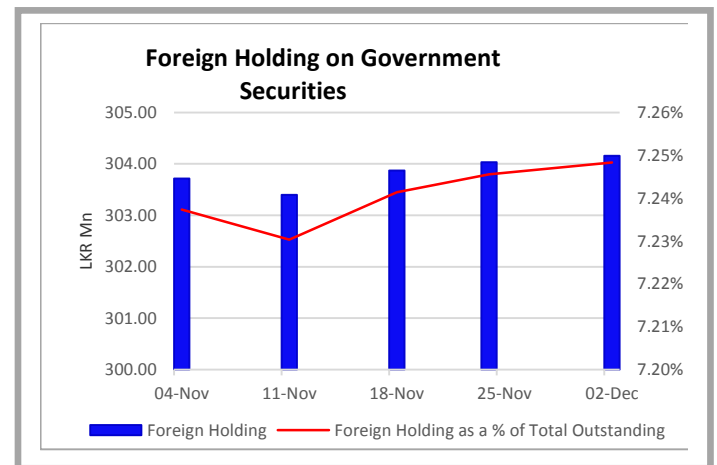
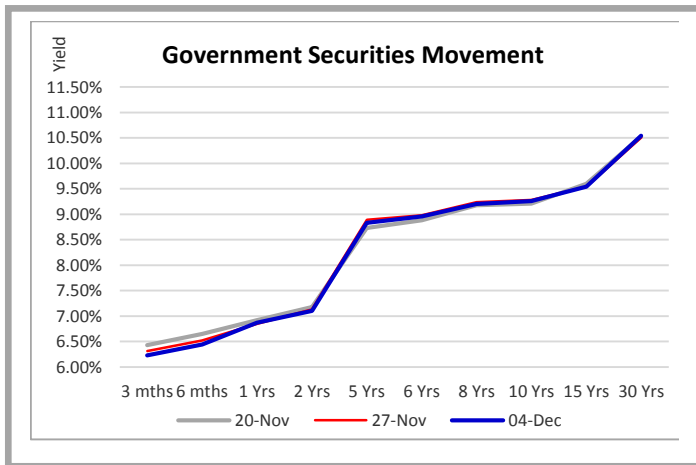
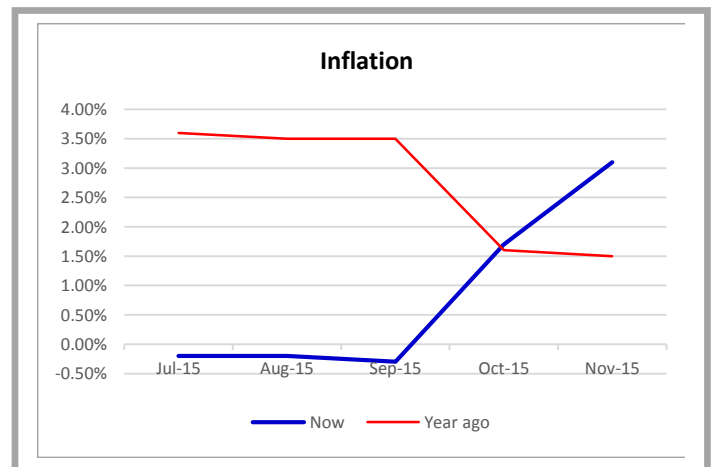
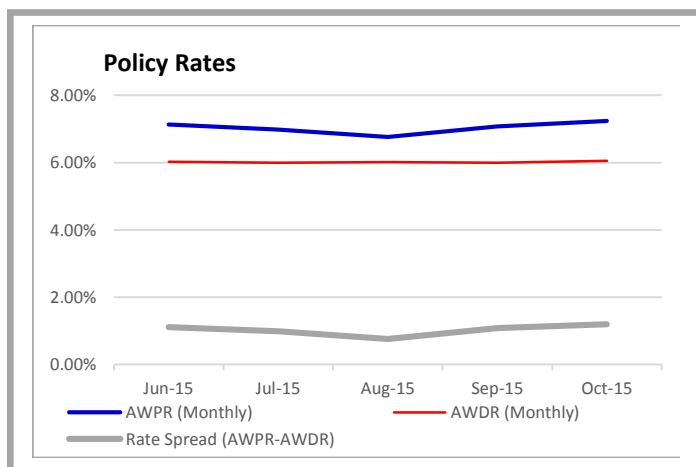


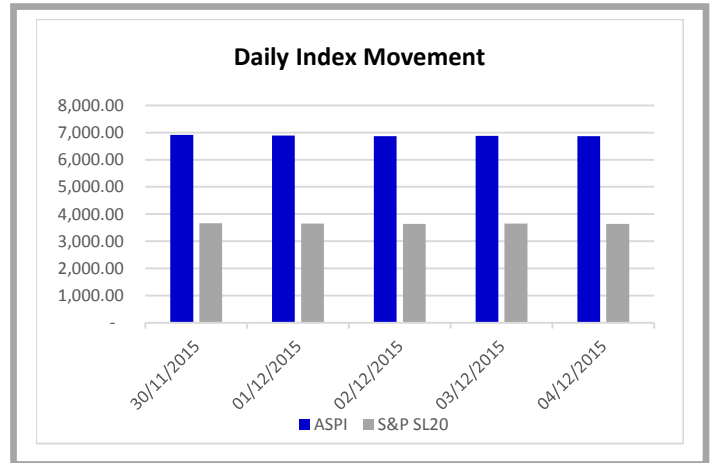
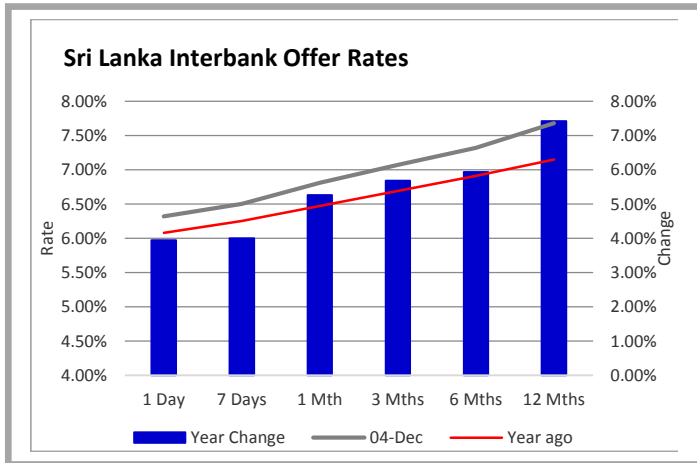
Economic Indicators: LKR/USD 143.12 (0.03% WoW) AWPR: 7.32% (1.21% WoW) AWDR: 6.05% (0.05% MoM) ASPI: 6,869 (1.32% WoW) S&amp;P SL20: 3,638 (1.77% WoW)



| Market           | Period   | 04-Dec | 27-Nov | Change % |
|------------------|----------|--------|--------|----------|
| Secondary Market | 3 months | 6.23%  | 6.31%  | -1.27%   |
|                  | 6 months | 6.44%  | 6.52%  | -1.23%   |
|                  | 1 Year   | 6.87%  | 6.85%  | 0.29%    |
|                  | 2 Years  | 7.10%  | 7.13%  | -0.42%   |
|                  | 5 Years  | 8.83%  | 8.89%  | -0.67%   |
|                  | 6 Years  | 8.96%  | 8.98%  | -0.22%   |
|                  | 8 Years  | 9.20%  | 9.24%  | -0.43%   |
|                  | 10 Years | 9.26%  | 9.28%  | -0.22%   |
|                  | 15 Years | 9.54%  | 9.54%  | 0.00%    |
|                  | 30 Years | 10.54% | 10.51% | 0.29%    |

- Average Weighted Prime Lending Rate (AWPR): 7.32%. It has declined by 09 bps compared to last week.
- Average Weighted Deposit Rate (AWDR): 6.05% (Oct), 6.00% (Sep).
- Average Weighted Fixed Deposit Rate (AWFDR): 7.33% (Oct) and 7.22% (Sep).
- SLIBOR Rates : 6.32% (1Day), 6.50%(7Days), 6.81%(1Month), 7.07%(3Months), 7.32%(6Months), 7.68%(1Yr).
- Inflation (Annual average change): 0.9% (Nov) and 0.7% (Oct).

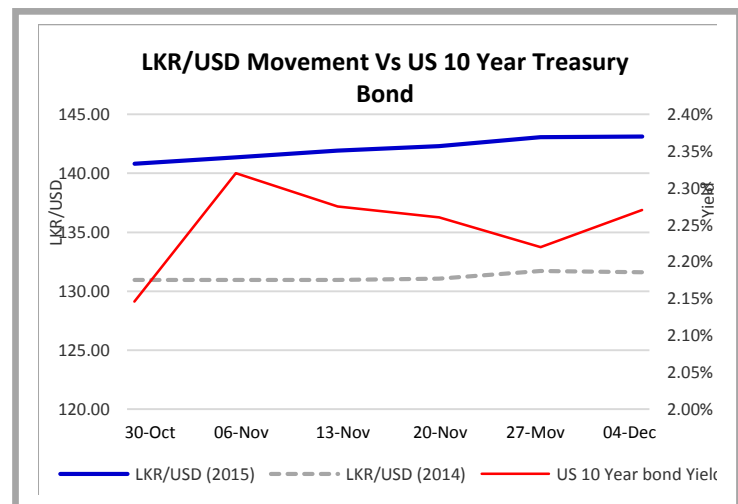




### LKR Exchange Rate Movement

- LKR depreciated over the week by 0.03% against USD from LKR/USD 143.07 to 143.12.
- One month forward rate of LKR/USD is 143.66 (Last week 143.24), three month forward rate is 144.43 (Last week 143.91)

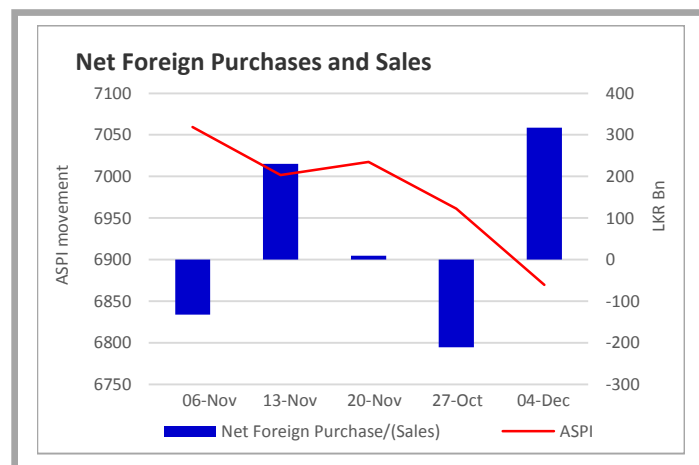
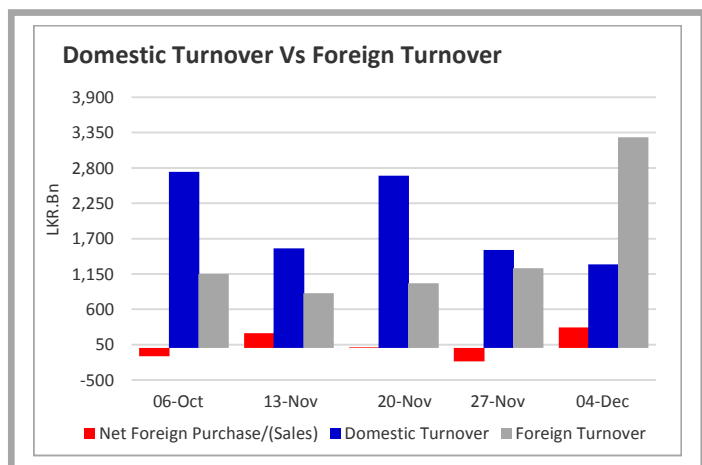
|          | 06-Nov | 13-Nov | 20-Nov | 27-Nov | 04-Dec |
|----------|--------|--------|--------|--------|--------|
| INR 2015 | 2.15   | 2.14   | 2.15   | 2.12   | 2.14   |
| INR 2014 | 2.13   | 2.13   | 2.11   | 2.14   | 2.11   |
| RM 2015  | 32.92  | 32.43  | 32.97  | 33.77  | 33.95  |
| RM 2014  | 39.11  | 39.23  | 38.99  | 39.16  | 38.00  |



### Colombo Stock Exchange

- All Share Price Index: 6,869 points as at 04<sup>th</sup> Dec 2015.
- S&P 20: 3,638 points as at 04<sup>th</sup> Dec 2015.
- ASPI reduced by 91 points WoW which is 1.32%.
- S&P 20 reduced WoW by 65 points, reflecting a 1.77% negative variation.
- Net Foreign Inflow: LKR. 317Mn.
- Last week recorded a Net foreign Outflow: LKR. 211Mn.
- Market capitalization: LKR.2,927Bn which is 1.28% reduction compared to last week.
- Market PE: PE recorded as 17.87 in this week and it has reduced by 1.32% from the last week.

| Price Index by Sector        |           |           |          |
|------------------------------|-----------|-----------|----------|
| Top Gainers                  | This week | Pre. week | Change % |
| INFORMATION TECHNOLOGY       | 64.41     | 62.74     | 2.66%    |
| INVESTMENT TRUSTS            | 18,037.87 | 17,997.00 | 0.23%    |
| BEVERAGE FOOD AND TOBACCO    | 22,697.36 | 22,700.39 | -0.01%   |
| HOTELS AND TRAVELS           | 3,245.05  | 3,255.73  | -0.33%   |
| HEALTHCARE                   | 958.03    | 963.56    | -0.57%   |
| Top Losers                   |           |           |          |
| PLANTATIONS                  | 711.34    | 747.04    | -4.78%   |
| TRADING                      | 17,129.21 | 17,917.52 | -4.40%   |
| CONSTRUCTION AND ENGINEERING | 2,886.15  | 2,983.10  | -3.25%   |
| FOOTWEAR AND TEXTILES        | 1,022.53  | 1,052.35  | -2.83%   |
| MOTORS                       | 17,390.27 | 17,866.53 | -2.67%   |



### Local News

A single foreign party owns 95 percent of Sri Lanka's government securities available to foreign investors, raising questions about risk-management practices of the Central Bank. Funds of Franklin Templeton held around 290 billion rupees in government securities, out of 304 billion rupees of securities available to foreign investors, according to published data. The government has proposed to reduce the amount of treasury bills and bonds available to foreign investors to 10 percent from 12.5 percent of total outstanding, in 2016, as per the budget proposals presented by the finance minister last month. This proposal is likely motivated by the volatility Sri Lanka experienced in foreign fund flows this year, especially in foreign ownership in government securities.

(Source: LBO- 01.12.2015)

Sri Lanka's export structure should be re- looked as it hasn't changed over the last 70 years, Public Enterprise Development Deputy Minister Eran Wickramaratne said. Despite the fact that Sri Lanka has graduated from a poor country to a lower middle income country, Sri Lanka's export structure is one of a poor country with the SME sector contribution to total exports remaining at less than 5%. This is in a backdrop where other low middle income countries' SME sector contributing 30-40% to the total exports. To address this issue, Sri Lanka should capitalize on its strategic location near major Indian sea lanes and skilled human resource to specifically increase re-exports from Sri Lanka which in turn will contribute to country's GDP.

(Source: Daily News - 04.12.2015)

Consumer prices in Sri Lanka's capital Colombo rose 3.1 percent in November 2015 from a year earlier, up from 1.7 percent in October with the inflation index rising 1.4 percent in the month, the state statistics office said. Year on year inflation of Food Group has increased from 2.7 percent in October 2015 to 5.2 percent in November 2015 while Nonfood Group increased by 0.8 percent to 1.1 percent during this period. For the month of November on year to year basis, contribution to inflation by food commodities was 2.48 percent and contribution of Nonfood items was 0.59 percent.

Meanwhile the index point increased by 1.4 percent from October to November due to the increase of food items by the same percentage, the state statistics office said.

(Source: LBO- 30.11.2015)

### Foreign News

Standard & Poor's cut its non-operating holding company (NOHC) ratings on eight U.S. "global systemically important banks" by one notch, citing uncertainty about the U.S. government's willingness to provide support to the banking system if it came under stress. The ratings apply to the holding companies of Bank of America Corp (BAC.N), Citigroup Inc (C.N), Morgan Stanley (MS.N), Wells Fargo & Co (WFC.N), Bank of New York Mellon Corp (BK.N), State Street Corp (STT.N), JPMorgan Chase & Co (JPM.N) and Goldman Sachs Group Inc (GS.N). The credit ratings on the banks' operating units are not affected by the downgrade. The Federal Reserve said that big U.S. banks would have an extra year to calculate a capital requirement known as the supplementary leverage ratio for stress tests.

(Source: Reuters -03.12.2015)

Asian equities slumped to three-week lows last Friday, following a global sell-off overnight as investors digested comments from the Fed and the European Central Bank (ECB). Overnight, Fed chair Janet Yellen Congress that recent economic data back the central bank's expectations of an improved job market. Yellen added the bank will proceed with caution in raising interest rates from near zero and that Fed funds rates would remain accommodative after the initial increase. Elsewhere, ECB president Mario Draghi announced monetary policy measures that fell short of market expectations. The central bank cut deposit rate by 10 basis points to negative 0.3 percent and said its asset purchase program will also be extended until at least March 2017 and broadened in scope.

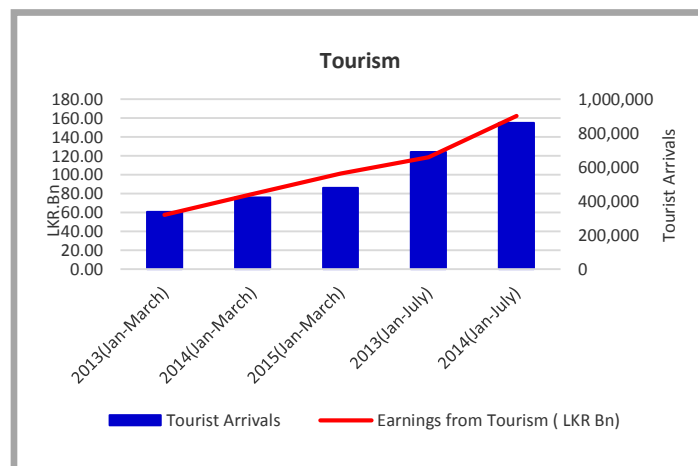
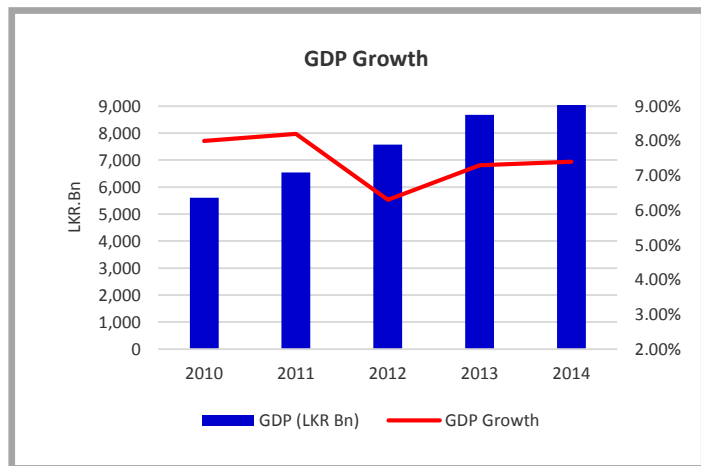
(Source: CNBC - 04.12.2015)

CHINA'S economy will grow slightly faster than expected this year at 6.9 percent and its shift to fostering services and private consumption is helping to support regional growth, the Asian Development Bank said last Thursday. An ADB report said Asia's developing economies remain resilient to economic weakness in industrialized countries and are on track to grow 5.8 percent in 2015 and 6 percent in 2016. It said Asia's growth is supported by vibrant private consumption and services in China. Expanded industrial production in India and other countries also buttressed the regional economy even as countries reliant on commodities were hurt by the global slump in prices, a slow US recovery and Japan's contraction.

(Source: ShanghaiDaily.com- 04.12.2015)

## GDP and Economy

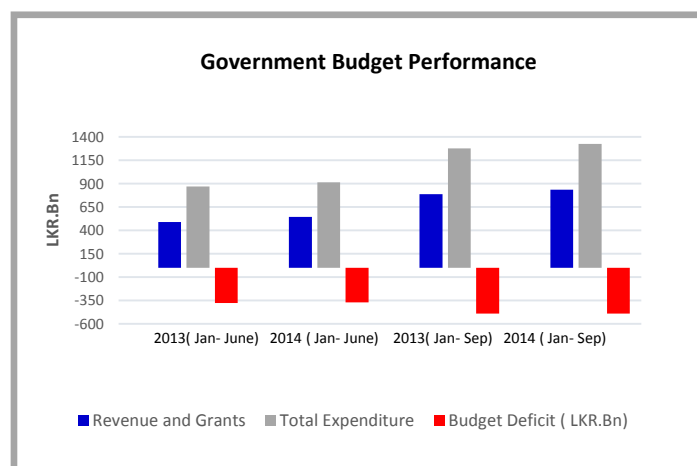
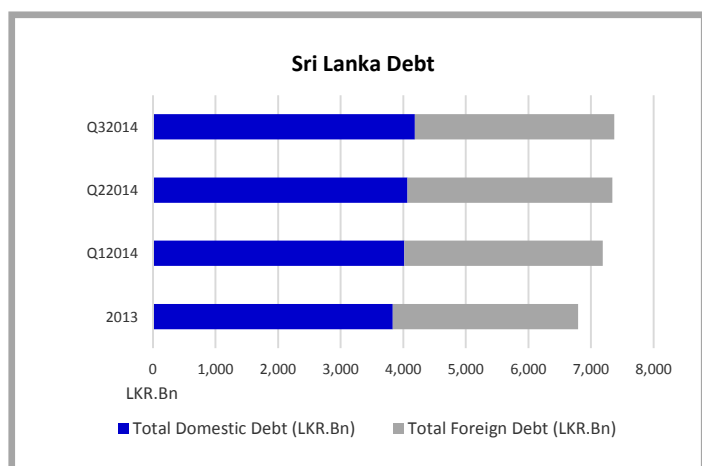
- The GDP of 2014 depicts a steady growth of 7.4% when compared to last year. The Service sector contribution was higher than the agriculture and industry sectors which was 57.6%.
- The agriculture sector, industry sector and Service sector real GDP recorded in 2014 (as per the prices in 2002) were LKR.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

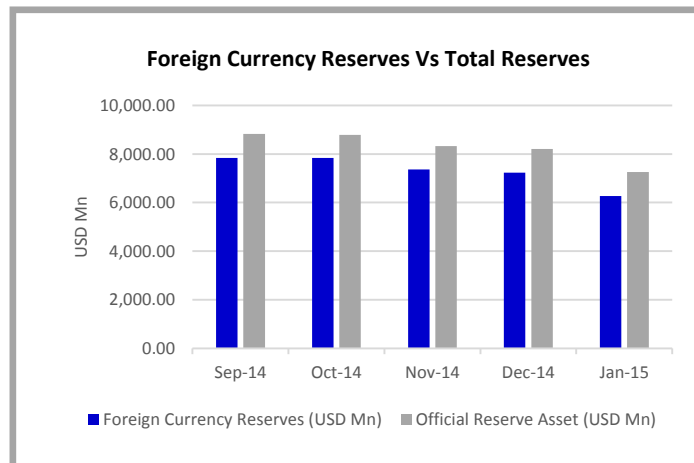
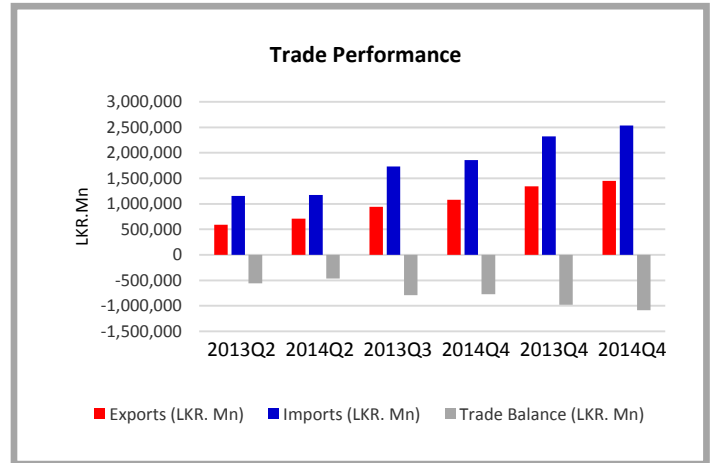
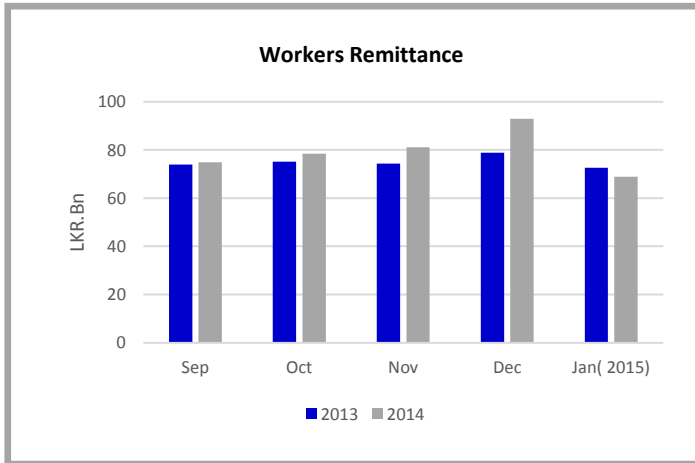


## Sri Lanka Fiscal Performance

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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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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