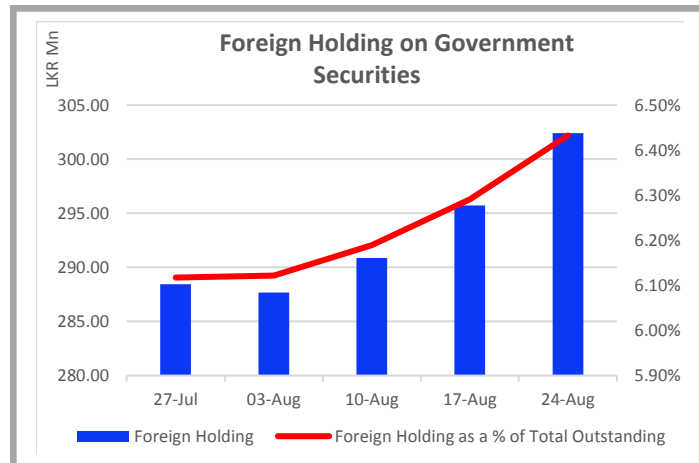
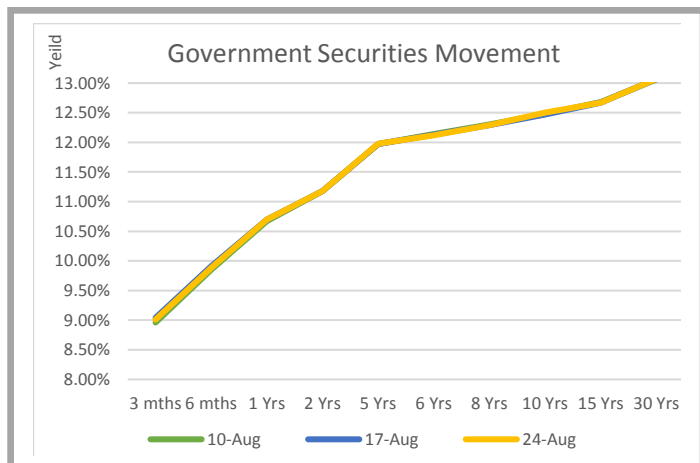
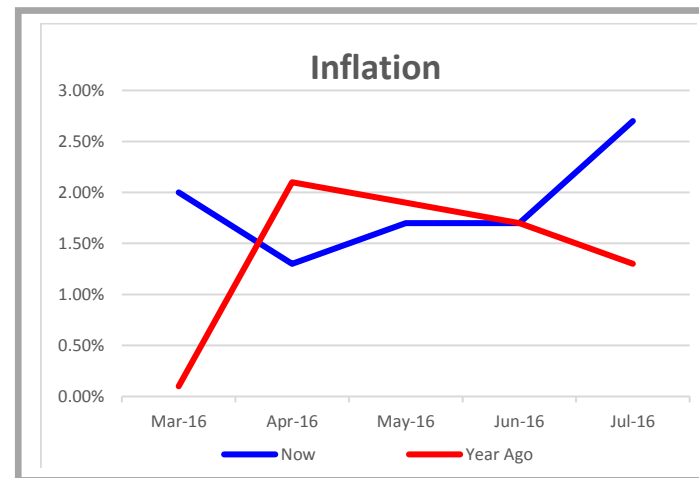
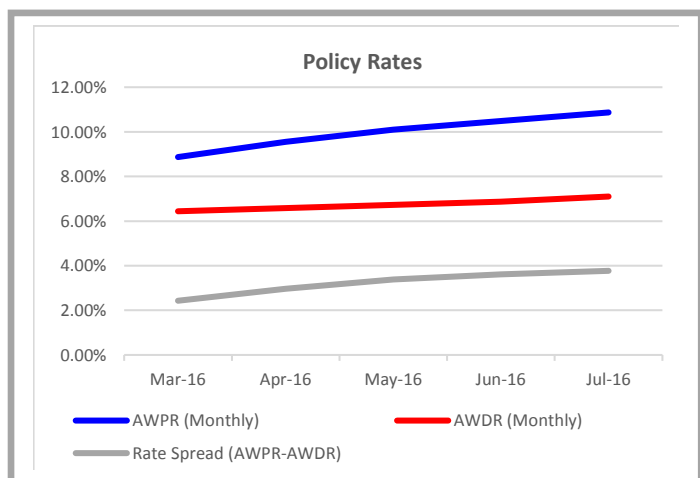


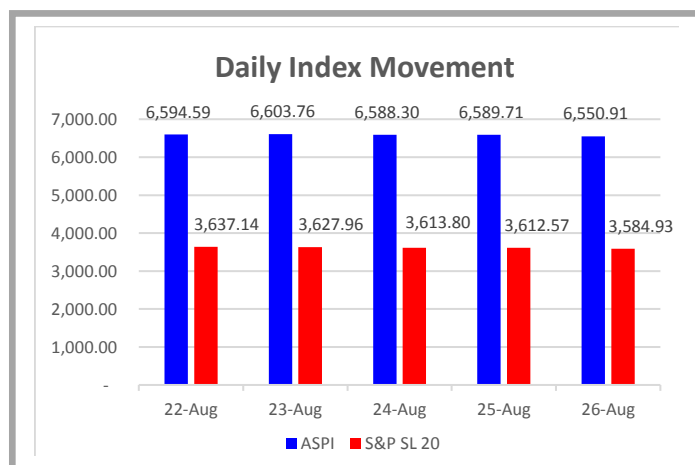
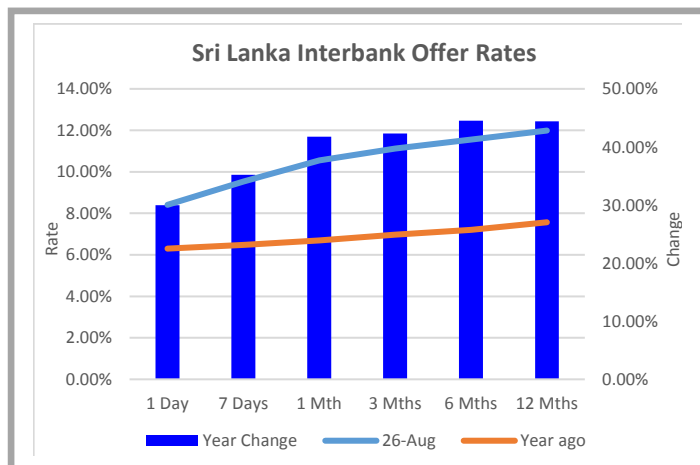
Economic Indicators: LKR/USD 145.58 (0.21% WoW) AWPR: 11.89% (1.80% WoW) AWDR: 7.10% (3.35% MoM) ASPI: 6,551 (0.78% WoW) S&P SL20: 3,585 (1.32% WoW)



| Market | Period | 24-Aug | 17-Aug | Change bps |
|------------------|----------|--------|--------|------------|
| Secondary Market | 3 months | 9.01% | 9.04% | -0.03 |
| | 6 months | 9.88% | 9.91% | -0.03 |
| | 1 Year | 10.70% | 10.70% | 0.00 |
| | 2 Years | 11.18% | 11.18% | 0.00 |
| | 5 Years | 11.98% | 11.97% | 0.01 |
| | 6 Years | 12.12% | 12.13% | -0.01 |
| | 8 Years | 12.29% | 12.29% | 0.00 |
| | 10 Years | 12.50% | 12.47% | 0.03 |
| | 15 Years | 12.67% | 12.67% | 0.00 |
| 30 Years | 13.07% | 13.07% | 0.00 | |

- Average Weighted Prime Lending Rate (AWPR): 11.89%. It has increased by 21 bps compared to last week.
- Average Weighted Deposit Rate (AWDR): 7.10% (July), 6.87% (June).
- Average Weighted Fixed Deposit Rate (AWFDR): 8.99% (July) and 8.64 % (June).
- SLIBOR Rates: 8.41% (1Day), 9.53% (7Days), 10.56% (1Month), 11.12% (3Months), 11.56% (6Months), 11.99% (1Yr).
- Inflation (Annual average change): 2.7% (July) and 2.2% (June).

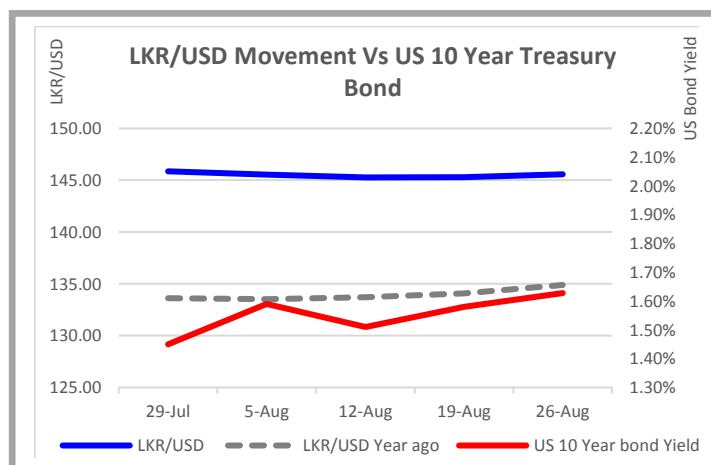




LKR Exchange Rate Movement

- LKR depreciated over the week by 0.21% against USD from LKR/USD 145.28 to 145.58 because of declining of exports.
- One month forward rate of LKR/USD is 146.48 (Last week 146.39).
- Three months forward rate of LKR/USD is 148.08 (Last week 148.15).

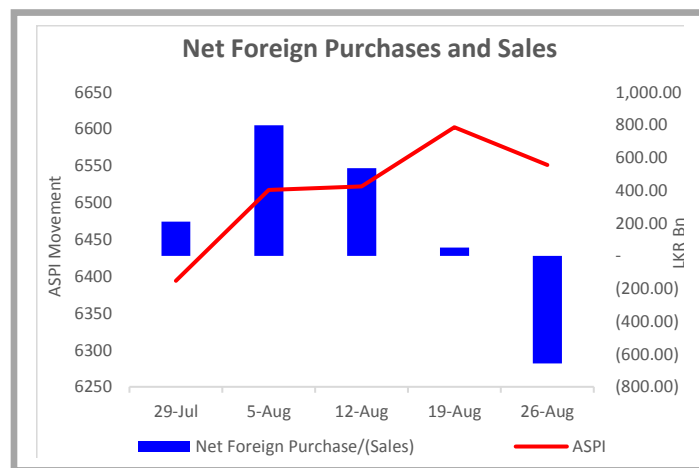
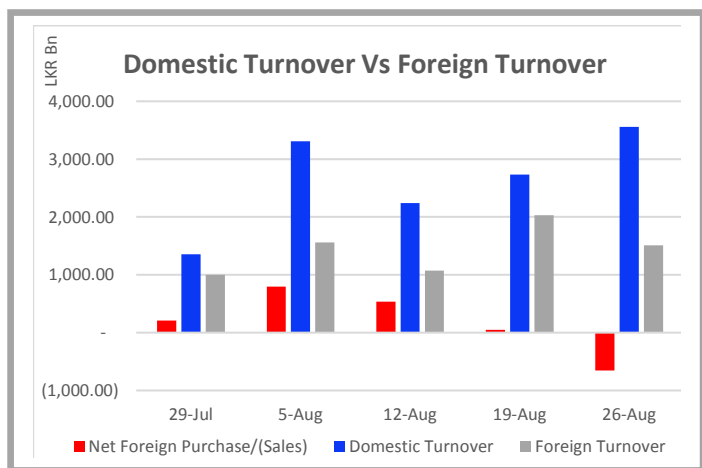
| | 29-July | 05-Aug | 12-Aug | 19-Aug | 26-Aug |
|--------|---------|--------|--------|--------|--------|
| INR 16 | 2.17 | 2.18 | 2.18 | 2.18 | 2.18 |
| INR 15 | 2.09 | 2.09 | 2.08 | 2.04 | 2.03 |
| RM 16 | 35.94 | 36.06 | 36.31 | 36.33 | 36.29 |
| RM 15 | 35.03 | 34.43 | 33.49 | 32.77 | 31.32 |



Colombo Stock Exchange

- All Share Price Index: 6,550.91 points as at 26th August 2016.
- S&P 20: 3,584.93 points as at 26th August 2016.
- ASPI decreased by 51.33 points WoW which is 0.78%.
- S&P 20 decreased WoW by 47.93 points, reflecting a 1.32% negative variation.
- Net Foreign Outflow: LKR. 656.42 Mn.
- Last week recorded a Net Foreign Inflow: LKR. 49.98 Mn.
- Market capitalization: LKR. 2,792.44 Bn which is 0.78% decrease compared to last week.
- Market PE: PE recorded as 13.50 in this week and it has declined by 0.78% from the last week.

| Price Index by Sector | | | |
|-------------------------------|-----------|-----------|----------|
| | This week | Pre. week | Change % |
| Top Gainers | | | |
| INFORMATION TECHNOLOGY | 51.15 | 45.02 | 13.62% |
| TRADING | 16,705.94 | 16,403.47 | 1.84% |
| HEALTH CARE | 1,131.72 | 1,115.79 | 1.43% |
| CHEMICALS AND PHARMACEUTICALS | 7,153.18 | 7,080.76 | 1.02% |
| STORES AND SUPPLIES | 26,997.98 | 26,852.12 | 0.54% |
| Top Losers | | | |
| POWER AND ENERGY | 163.93 | 170.44 | -3.82% |
| INVESTMENT TRUSTS | 14,827.88 | 15,240.97 | -2.71% |
| FOOTWEAR AND TEXTILES | 958.35 | 979.01 | -2.11% |
| DIVERSIFIED HOLDINGS | 1,676.95 | 1,713.05 | -2.11% |
| BEVERAGE FOOD AND TOBACCO | 22,210.73 | 22,536.19 | -1.44% |



Local News

Sri Lanka needs to get into the game of global production networks and needs to treat trade agreements seriously, a government minister said. Deputy Foreign Minister Harsha de Silva outlined Sri Lanka's future path as a trading nation at a panel discussion organized by the Young Professionals Organization of UNP. "Sri Lanka has always been a trading place with imports and exports both. Imports are actually the other side of the coin of exports," de Silva said. "Sri Lanka should seek to tap into the new paradigm of global production networks since the island nation is not a natural supplier of large scale intermediate goods or raw materials also Sri Lanka needs to get into that game. That's why we need to look at these trade agreements very seriously," de Silva said.

(Source: <http://www.lankabusinessonline.com> - 25.08.2016)

Sri Lanka's Prime Minister Ranil Wickremesinghe told Parliament that a Chinese bank has agreed to set up their South Asian branch here in Sri Lanka. "China agreed to set up the branch here in Colombo at the proposed financial city," Wickremesinghe said. Prime Minister said the concept paper and proposal for the financial city is being discussed and it could be revealed before the end of this year. "We expect to have discussions about the proposal with China." Megapolis Ministry on behalf of the government together with the UDA and the CHEC Port City Colombo recently signed a tripartite agreement for the development of the new Colombo International Financial City replacing the agreement signed by the former Government.

(Source: <http://www.lankabusinessonline.com> / - 23.08.2016)

Japan plans to dispatch a team to Sri Lanka in the coming months to inquire about the potential for infrastructure investment in the key port of Trincomalee, a Government source said. The move is aimed at strengthening bilateral cooperation through infrastructure and helping Sri Lanka achieve its goal of reducing its dependence on Chinese assistance, and For Japan, closer cooperation with Sri Lanka could help secure vital sea lanes used to import oil from the Middle East. The two countries are also expected to improve cooperation on maritime security in light of China's expansionary activities in the Indian Ocean, the source said. According to the source, Prime Minister Shinzo Abe and President Sirisena affirmed their intention to cooperate on developing Sri Lankan port facilities at their May meeting in Nagoya. (Source: <http://www.ft.lk/> - 27.08.2016)

Foreign News

Mired in a world of low growth, low inflation and low interest rates, officials from the Federal Reserve, Bank of Japan and the European Central Bank said their efforts to bolster the economy through monetary policy may falter unless elected leaders stepped forward with bold measures. These would range from immigration reform in Japan to structural changes to boost productivity and growth in the U.S. and Europe. Without that, they said, it would be hard to convince markets and households that things will get better, and encourage the shift in mood many economists feel are needed to improve economic performance worldwide.

(Source: <http://in.reuters.com/> - 28.08.2016)

Britain's high streets are heaving with shoppers despite June's shock vote to leave the European Union, big companies have reported few signs of distress and some tabloid newspapers are even talking about a post-Brexit economic boom. The overwhelming view from economists is that it is too early to know how Britain will cope with years of Brexit uncertainty - but there is a growing belief the country can avoid a recession that only weeks ago was regarded as likely. On the face of it, the early optimism contrasts with the pre-referendum warning from former Prime Minister David Cameron that a Brexit vote would put a "bomb under the economy."

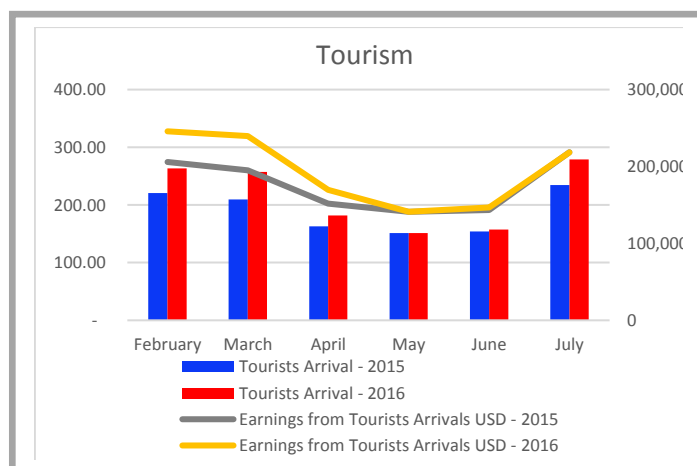
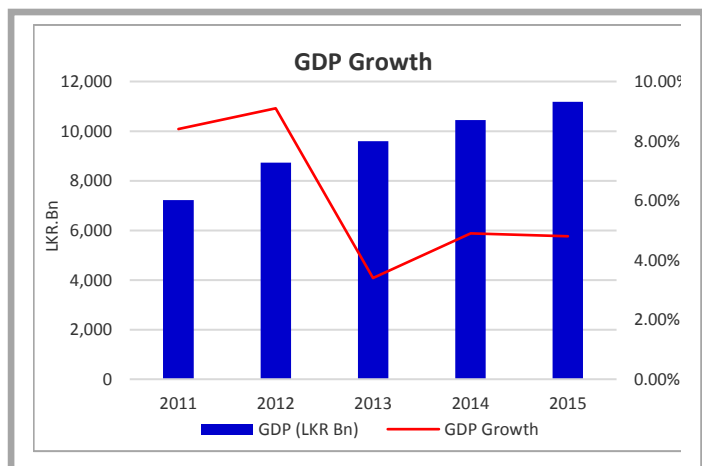
(Source: <http://www.huffingtonpost.com/> - 26.08.2016)

The Federal Reserve signals a reluctance to raise interest rates. The yen strengthens to 90 per dollar. Haruhiko Kuroda decides to act. Helicopter money is coming, says Mark Mobius, even as soon as next month. The 80-year-old investment veteran is outlining how he expects central banks to respond to sluggish economic growth. For Mobius, executive chairman of Templeton Emerging Markets Group, traditional easing measures have just made people save instead of spend or borrow. Combined with a stronger yen, he says that's going to force the Bank of Japan governor to contemplate a policy he's repeatedly ruled out.

(Source: <http://www.bloomberg.com/> - 24.08.2016)

GDP and Economy

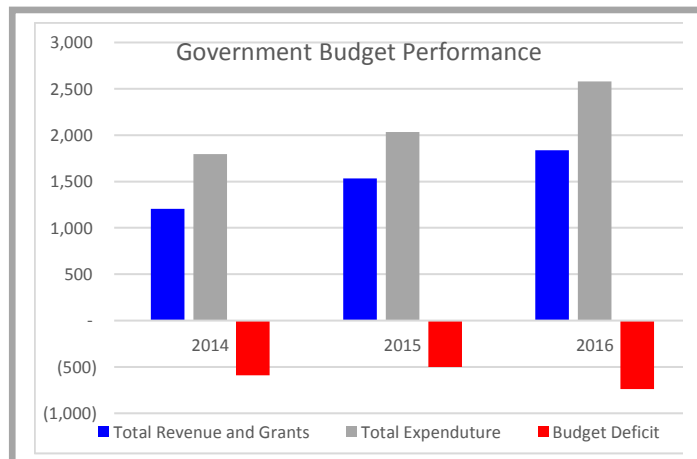
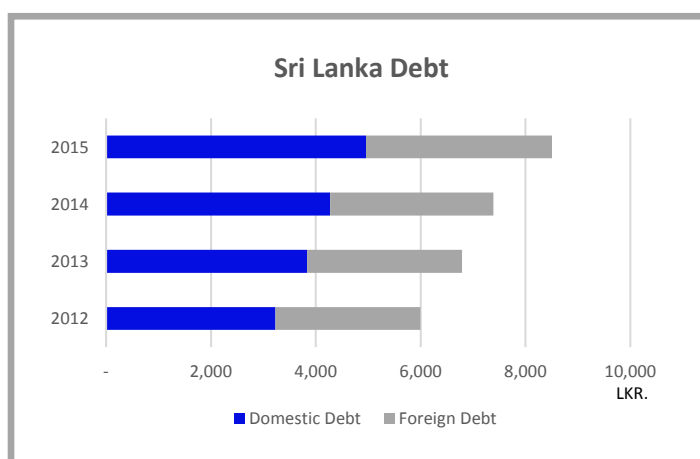
- The GDP of 2015 depicts a steady growth of 4.8% when compared to last year. The Service sector contribution was higher than the agriculture and industry sectors which was 56.6%.
- The agriculture sector, industry sector and Service sector real GDP recorded in 2015 (as per the prices in 2010) were LKR. 676,899Mn, LKR.2,259,223Mn and LKR. 4,881,273Mn respectively.
- Unemployment rate was 4.6% in 2015 compared to 4.3% in the previous year.

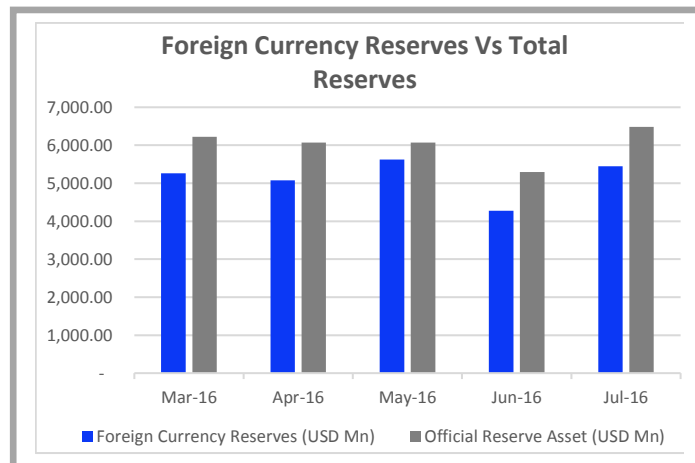
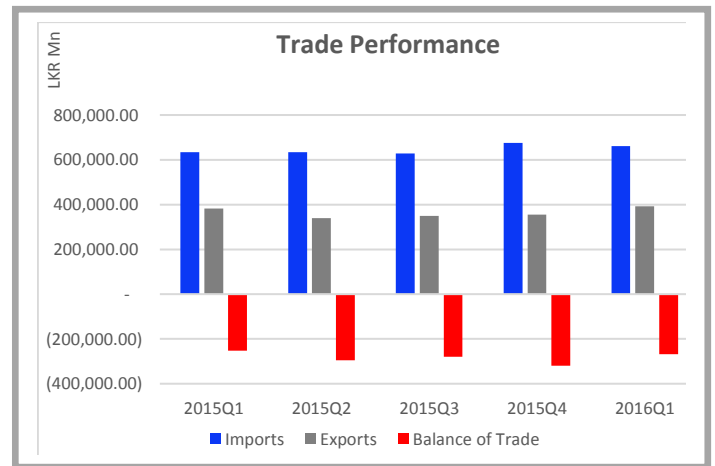
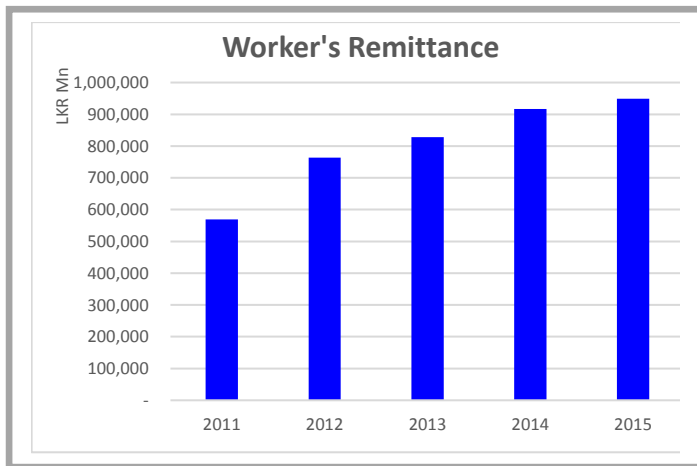


Sri Lanka Fiscal Performance

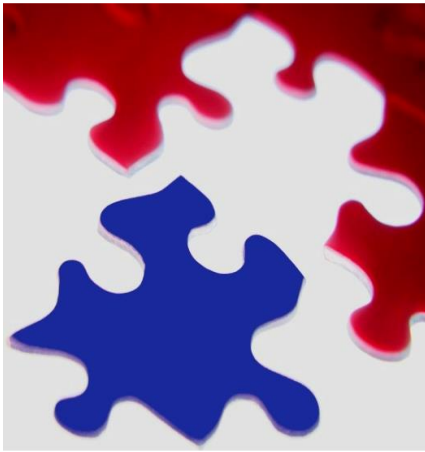
Debt service payments increased to 11.8 percent of GDP in 2015 from 10.3 percent of GDP in the previous year. Domestic and foreign amortisation payments to GDP increased to 4.7 percent and 2.5 percent, respectively in 2015 from 4.3 percent and 1.8 percent in 2014. The ratio of total interest payments to GDP increased to 4.6 percent in 2015 from 4.2 percent in 2014. Although interest payments on domestic sources to GDP increased to 3.5 percent in 2015 from 3.1 percent in 2014, foreign interest payments to GDP declined marginally to 1.0 percent in 2015 from 1.1 percent in 2014.

| | 2011 | 2012 | 2013 | 2014 | 2015 |
|--------------------------------|------|------|------|------|------|
| Government Debt/GDP (%) | 78.5 | 79.2 | 78.3 | 70.7 | 76 |
| Domestic Debt/ GDP (%) | 42.9 | 42.7 | 44.2 | 40.9 | 44.3 |
| Foreign Debt % of GDP | 35.6 | 36.5 | 34.1 | 29.8 | 31.7 |
| Budget Deficit/GDP (%) | -6.9 | -6.5 | -5.9 | -5.2 | -7.4 |



Sri Lanka External Sector


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OUR SERVICES

1. CAPITAL MARKET ACTIVITIES
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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INVESTMENT FOR ALL

CAPITAL MARKET ACTIVITIES

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

PORTFOLIO MANAGEMENT

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

CORPORATE RESTRUCTURING

- Balance Sheet Restructuring
- Corporate Restructuring

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