

| | June 07, 2016 | NAV/Index | YTD change |
|--------|---------------|-----------|------------|
| SLF | | US\$ 0.87 | -7.45% |
| ASI | | 6,524.00 | -6.57% |
| S&P 20 | | 3,424.49 | -6.74% |

External Sector Performance – February 2016

➤ Earnings from exports declined by 1.7% to US\$ 887.7Mn in February 2016 reflecting lower commodity prices in the international market. The largest contribution to this decline was from the petroleum products exports, followed by gems, diamonds and jewellery and spices exports. However, exports of textiles and garments, which comprise nearly 52% of total exports, increased by 10.3% during the month and helped to contain the negative growth of total exports to some extent. Garments exports to the European Union and the United States have increased by 11.7% and 8.7%, respectively, in February 2016.

Expenditure on imports declined by 5.9% YoY to US\$ 1,439.3Mn in February 2016. The largest contribution to this decline came from fuel imports followed by rice, transport equipment and building materials. However, import volumes of refined petroleum products increased mainly due to higher thermal power generation and import expenditure on machinery and equipment also increased significantly during the month. By end February 2016, gross official reserves amounted to US\$ 6.6Bn compared to US\$ 7.4Bn reported in end February 2015 and US\$ 6.3Bn in end January 2016.

Tourist Arrivals Update – May 2016

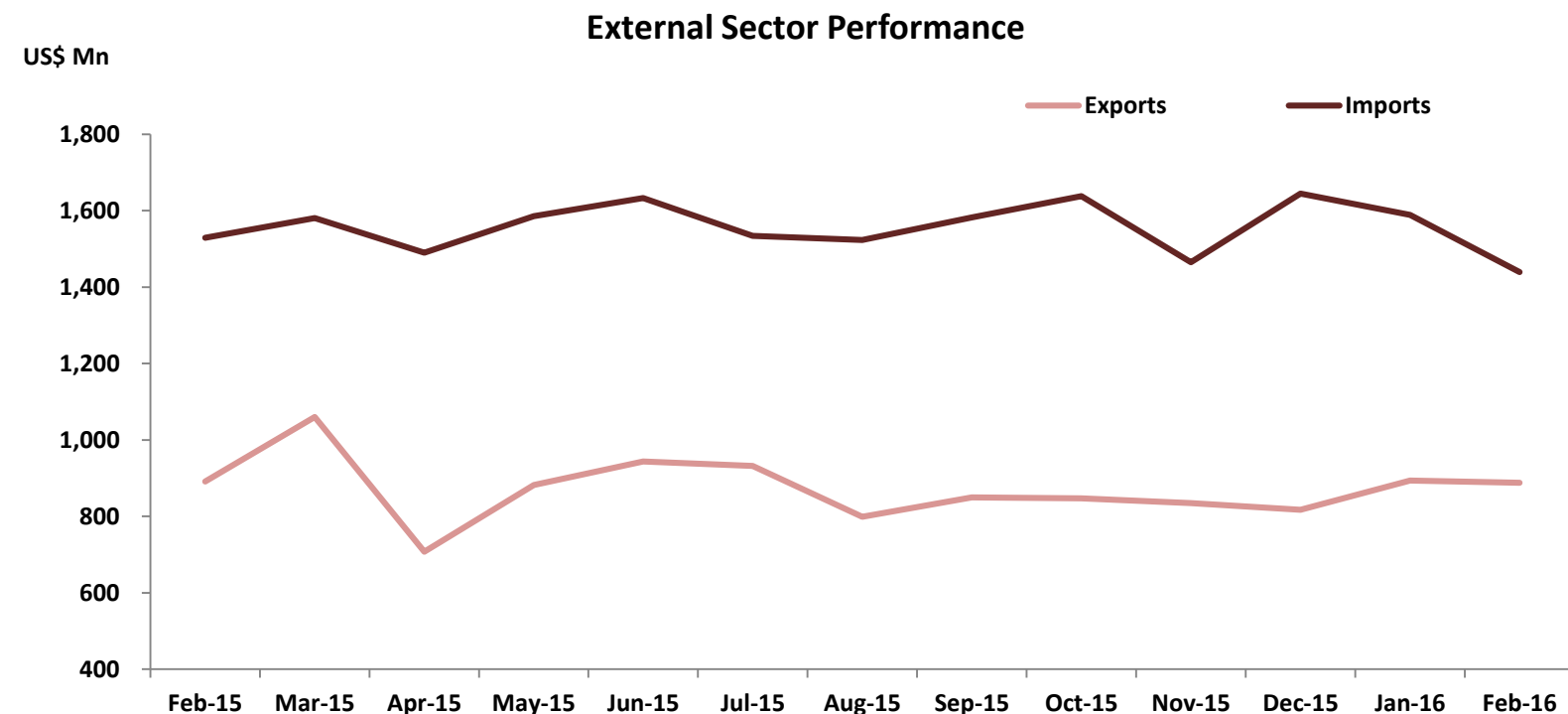
➤ Sri Lanka's tourist arrivals rose 10.1% to 125,044 in May 2016. On a cumulative basis arrivals were up 18.4% for the first five months of the year with the island welcoming 846,229 tourists for 2016. Neighbouring India became the lead contributor to the industry with a 17.2% contribution of the arrivals for the first five months, reporting an increase of 21.9%. China, contributed to 13.3% of total arrivals, reporting an increase of 42.7%. Arrivals from the more traditional markets such as United Kingdom, Germany and France which cumulatively accounted for 21.6% of the arrivals for the first five months reported an increase of 16.6% during the period. Sri Lanka targets 2.2Mn tourists in 2016.

Government Securities Update

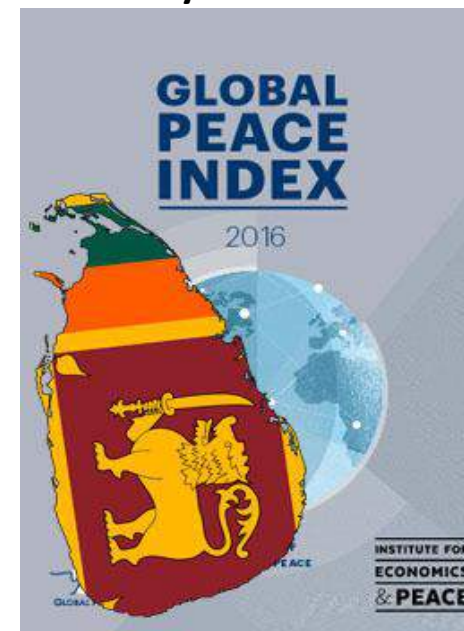
➤ Weekly Sri Lanka's Treasuries yields increased across all maturities at Wednesday's auction with the 3 months yield increasing by 02bps to 8.82%, data from the state debt office showed. The 6 month bills increased by 01bp to stand at 9.76% and 12 month bills increased by 01bp to stand at 10.53%. The state offered Rs. 30.0Bn of bills for re-issue and accepted Rs. 13.4Bn of bids.

Sources: Daily FT SL (Business Newspaper), Lanka Business Online, The Sunday Leader, Central Bank of Sri Lanka (CBSL)

Chart of the Week



Picture Story



Sri Lanka is ranked 97 in the Global Peace Index 2016 out of 163 countries. According to independent, non-partisan and non-profit Institute for Economics and Peace (IEP) which released its 2016 edition of the Global Peace Index, Sri Lanka saw the greatest upswing in its score in the South Asia region. Sri Lanka has jumped 18 positions in the rankings. IEP had highlighted thus about Sri Lanka in its recently released GPI for 2016: “The country successfully conducted two sets of elections in 2015 - presidential in January and parliamentary in August which brought a reformist administration with a strong mandate. The country’s increased peacefulness is also due to better relations with neighboring countries.”

Economic Indicators

| | 2015 | 2016 | Change |
|----------------------------------|---------|---------|--------|
| Tourist Arrivals: May(16) | 113,529 | 125,044 | 10.14% |
| Tourist Arrivals: May(16)-YTD | 714,584 | 846,229 | 18.42% |
| Credit-Pvt Sec Rs.Bn-Mar(16)-YTD | 2,845 | 3,635 | 27.75% |

| | | | |
|------------------------------|---------|---------|--------|
| Trade Balance(US\$ Mn) – Feb | (626.5) | (551.7) | 11.94% |
|------------------------------|---------|---------|--------|

Imports (US\$ Mn) – Feb

| | 2015 | 2016 | Change |
|--------------------|-------|-------|---------|
| Investment Goods | 362.3 | 369.4 | 1.96% |
| Intermediate Goods | 814.3 | 724.0 | -11.09% |

Exports (US\$ Mn) - Feb

| | 2015 | 2016 | Change |
|----------------------|-------|-------|---------|
| Agricultural | 202.9 | 182.1 | -10.25% |
| Textiles and Apparel | 419.9 | 463.1 | 10.29% |

Levels

| | 2013 | 2014 | 2015 |
|---------------------------|-----------|------------|-----------|
| Quarterly GDP Real Growth | Q1 -3.6% | Q1 - 1.3% | Q1 - 4.4% |
| | Q2 - 5.9% | Q2 - 2.2% | Q2 -7.0% |
| | Q3 - 4.0% | Q3 - 5.0% | Q3 - 5.6% |
| | Q4 - 0.5% | Q4 - 10.3% | Q4 - 2.5% |

Annual GDP Real Growth (%)

| | 2013 | 2014 | 2015 |
|--|-------|-------|-------|
| | 3.40% | 4.90% | 4.80% |

Levels

| | Year Ago | Apr-16 | May-16 |
|------------------------|----------|--------|--------|
| Inflation -CCPI | | | |
| Year on Year | 0.20% | 3.10% | 4.80% |
| Annual Average | 1.90% | 1.30% | 1.70% |
| Inflation -NCPI | | | |
| Year on Year | 2.80% | 2.20% | 4.30% |
| Annual Average | - | 2.40% | 2.60% |

Currencies

| | Year Ago | Pre. Week | This Week |
|------|----------|-----------|-----------|
| US\$ | 134.05 | 146.99 | 145.24 |
| STG | 206.28 | 211.95 | 210.10 |
| Yen | 1.08 | 1.35 | 1.36 |
| Euro | 151.29 | 163.96 | 164.16 |

LKR

Levels (%)

| | Year Ago | Pre. Week | This Week |
|------------------|----------|-----------|-----------|
| T - Bills | | | |
| 3 Months | 6.11 | 8.80 | 8.82 |
| 6 Months | 6.26 | 9.75 | 9.76 |
| 12 Months | 6.48 | 10.52 | 10.53 |

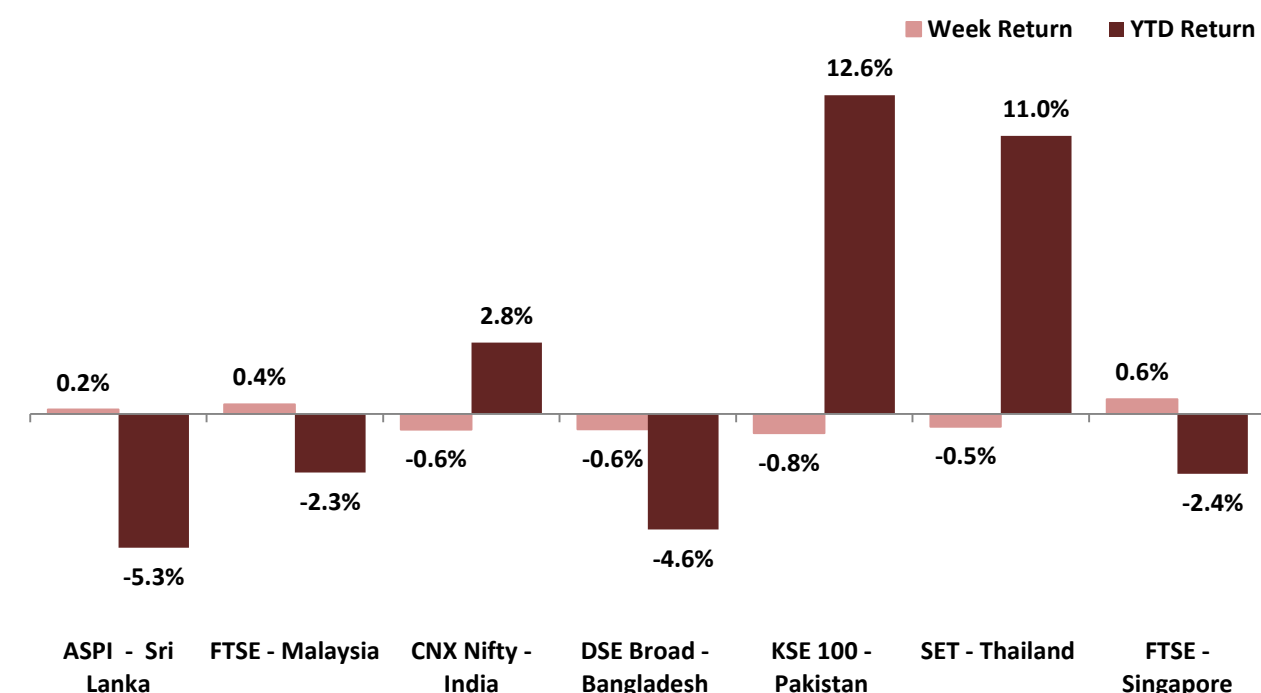
Price per Share (LKR)

| | Pre. Week | This Week | Change |
|----------------------|-----------|-----------|---------|
| Top 5 Gainers | | | |
| SEMB.X | 0.30 | 0.40 | 33.33% |
| NHL | 4.10 | 4.80 | 17.07% |
| CSF | 1.40 | 1.60 | 14.29% |
| SEMB | 0.70 | 0.80 | 14.29% |
| MHDL | 7.40 | 8.40 | 13.51% |
| Top 5 Losers | | | |
| CIFL | 0.60 | 0.50 | -16.67% |
| TANG | 70.00 | 58.60 | -16.29% |
| HAPU | 19.70 | 17.50 | -11.17% |
| JKL | 74.50 | 66.30 | -11.01% |
| ALHP | 2.90 | 2.60 | -10.34% |

CSE Data

| | Pre. Week | This Week | Change |
|------------------------------------|-----------|-----------|---------|
| CSE All Share Index (ASI) | 6,519.23 | 6,530.50 | 0.2% |
| S&P Sri Lanka 20 Index (S&P SL 20) | 3,416.47 | 3,423.82 | 0.2% |
| Total turnover (LKR Mn) | 3,470.32 | 2,065.49 | -40.5% |
| Market PER | 13.48 | 13.52 | 0.3% |
| Market PBV | 1.51 | 1.51 | 0.0% |
| Dividend Yield | 2.66 | 2.76 | 3.8% |
| Market Capitalization (LKR Bn) | 2,777.86 | 2,782.75 | 0.2% |
| Foreign Purchases (LKR Mn) | 1,739.83 | 600.08 | -65.5% |
| Foreign Sales (LKR Mn) | 1,716.81 | 780.29 | -54.6% |
| Net Foreign (LKR Mn) | 23.02 | (180.21) | -882.9% |

Regional Market Performance

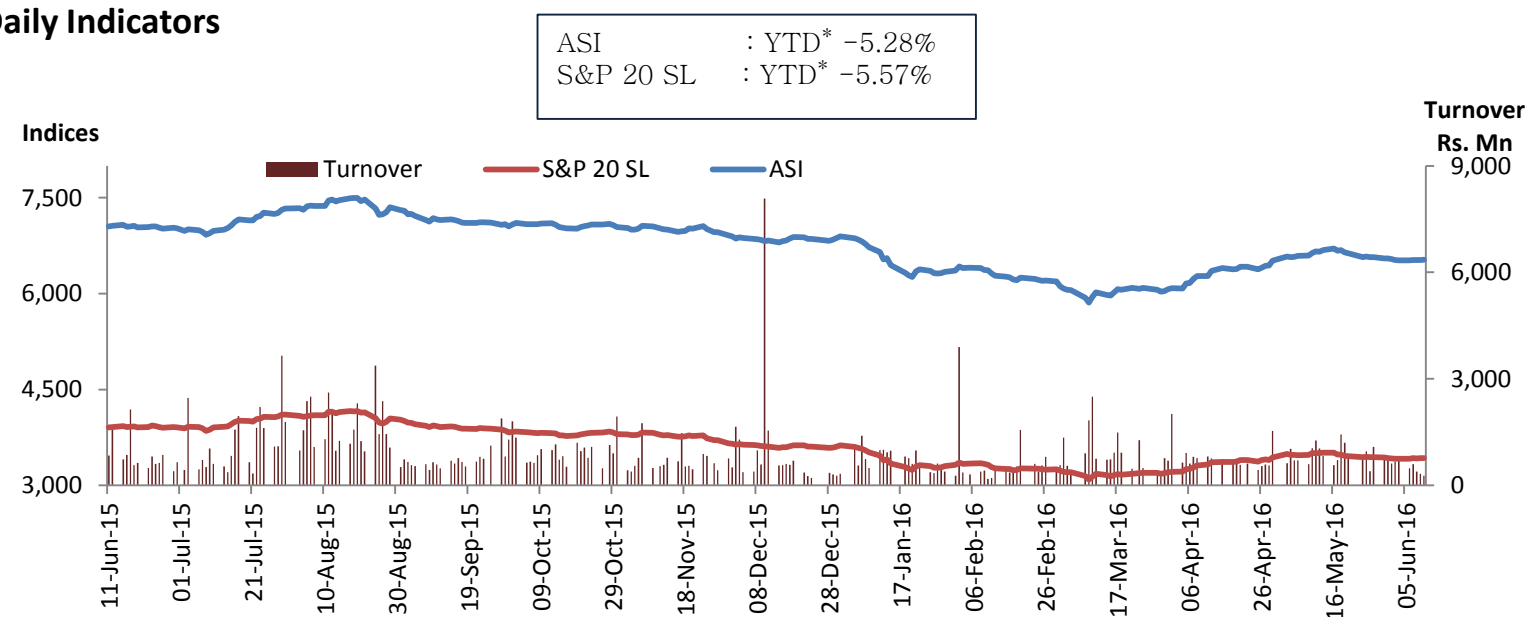


Sources: Central Bank of Sri Lanka (CBSL), Colombo Stock Exchange (CSE), Bloomberg, FactSet



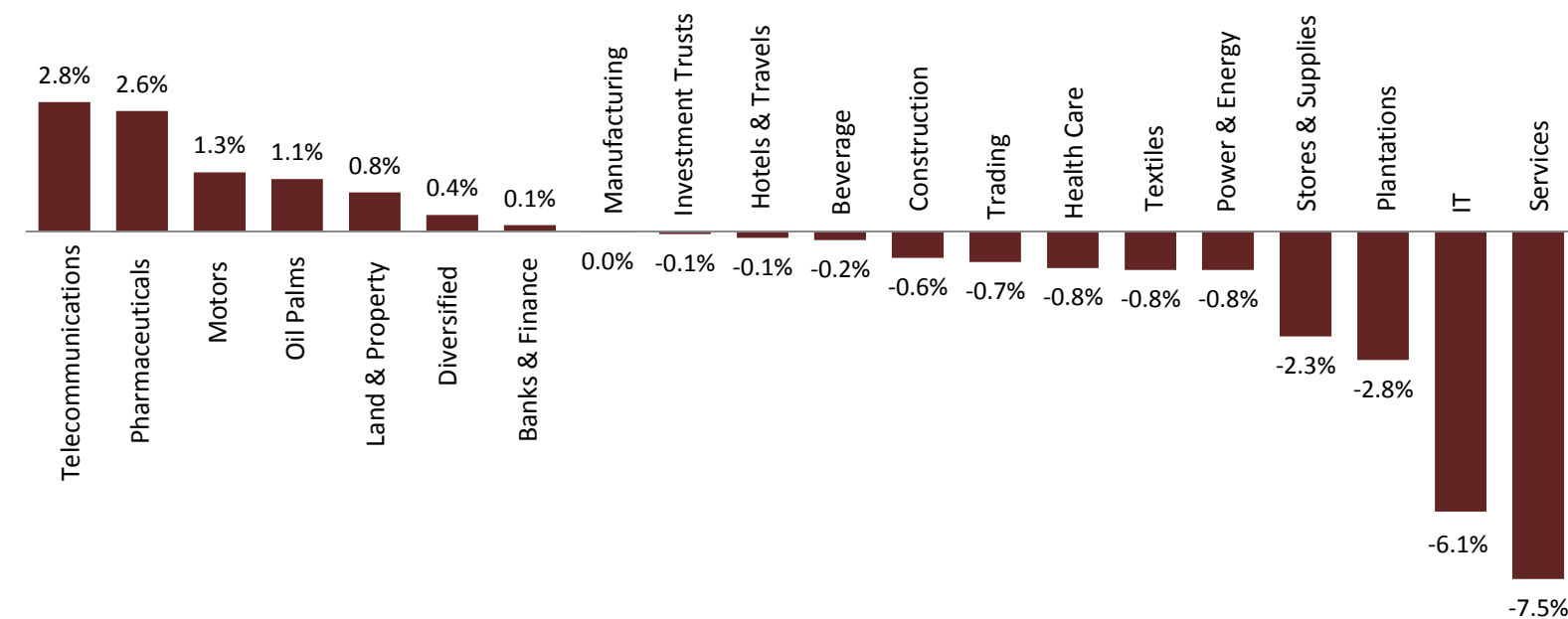
- The Colombo Stock Exchange (CSE) remained flat during the week ended Friday 03rd June 2016. The All Share Price Index (ASPI) stood at 6,530.5 while the S&P Sri Lanka 20 Index was at 3,423.8. Total turnover for the week was Rs. 2.1Bn, a decrease of 40.5% over the previous week's turnover.
- Net foreign investments recorded a net outflow of Rs. 180.2Mn during the week. Year to date net foreign investment amounted to a negative Rs. 5,725.9Mn.
- Market leader in tiles and sanitary ware industry, Royal Ceramics Lanka PLC will be opening stores in the Maldives and Pakistan, after experiencing success in Australia. Further they expect to expand Australian operations by adding four more showrooms. The group also exports products to Japan, the Middle East, North America, South Asia, Singapore, New Zealand and Fiji. Tiles, ceramics and sanitary ware made up 74% of the group's export revenue.
- Sampath Bank PLC, a leading commercial bank in Sri Lanka said its Rs.6Bn debenture issue, which opened on 6th June 2016, was oversubscribed on the first day of issuance. The bank issued 60Mn subordinated debentures in two tranches, priced Rs.100 each. The debentures, which will be listed on the Colombo bourse, will mature in five years and carry fixed and floating coupon.

Daily Indicators



* YTD- 01st Jan 2016 to 10th Jun 2016

CSE Weekly Sector Returns (%)



Sources: Colombo Stock Exchange (CSE), Business Newspapers