

CANDOR OPPORTUNITIES FUND

QUARTERLY REPORT

June 2018

Fund Manager:
Candor Asset Management (Pvt) Ltd

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Dear Investor,

We are pleased to present the Candor Opportunities Fund quarterly report for the quarter ending 30th June 2018.

The Colombo bourse performed dismally in the first half of 2018, with the benchmark All Share Price Index falling by 2.74% for the six month period ending 30th June 2018 and falling by 4.36% for the three month period ending 30th June 2018. In comparison to this performance in 2018, the ASPI had gained by 8.33% and 11.30% in 1H2017 and 2Q2017 respectively. Moreover, investor participation in terms of daily average turnover also slipped in 2Q2018 to LKR 661 million as opposed to LKR 1.1 billion in 2Q2017; for the six month period, daily average turnover was LKR 935 million in 2018 and more in line with the same period in 2017 which came in at LKR 929 million.

In terms of foreign participation, 2H2018 saw a net outflow of LKR 1.3 billion as opposed to a net inflow of LKR 22 billion in the same period last year. Meanwhile 2Q2018 saw a net inflow of LKR 1.3 billion vs. a net inflow of LKR 16.5 billion in 2Q2017.

The overall investor sentiment was subdued as local investors adopted a wait-and-see approach amidst confusing government policies, whilst higher corporate taxes, higher interest rates and steep global commodity prices impacted listed company performances.

Although at a Price to Earnings Ratio of 10.39 times, the Sri Lankan share market seems attractive vis-à-vis regional markets, foreign investors have raised concerns of political instability and rupee devaluation.

Meanwhile, the Candor Opportunities Fund has gained by 0.31% for the six-month period ending 30th June 2018 while the fund performance has declined by 4.11% in the three month period from 31st March 2018 to 30th June 2018.

The Central Bank of Sri Lanka held policy rates steady in the second half of 2018 with the Standing Deposit Facility Rate (SDFR) and the Standing Lending Facility Rate (SLFR) remaining at 7.25% and 8.50% respectively.

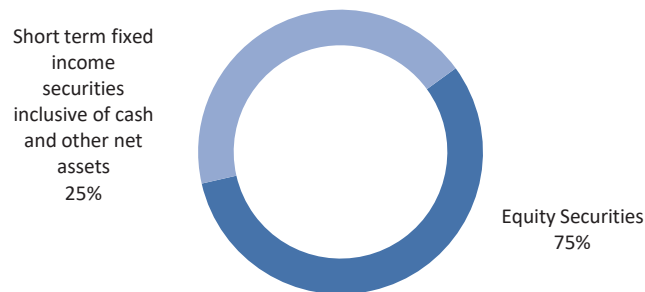
In April 2018, the Central Bank of Sri Lanka, issues US dollars 1.25 billion 5-year and US dollars 1.25 billion 10-year Senior Unsecured Fixed Rate Notes with maturity dates of April 18th 2023 and April 18th 2028 respectively. The Notes have been rated 'B1', 'B+' and 'B+' by Moody's Investors Service, Standard and Poor's and Fitch Ratings respectively.

Benchmark 3 month, 6 month and 12 month Treasury bill yields increased to 8.35%, 8.85% and 9.43% respectively in the six month period ending 30th June 2018, up from 7.69%, 8.30% and 8.90% at end December 2017 respectively. Moreover, inflation as measured by the point-to-point change in the Colombo Consumer Price Index (CCPI) dropped from 7.1% in December 2017 to 4.4% in June 2018 which and from 4.2% in March 2018.

As per Central Bank of Sri Lanka, pressures on domestic food supplies during the off-season could exert some upward pressure on prices in the short term, inflation is expected to remain at the desired mid-single digit levels during the remainder of the year and over the medium term, underpinned by firmly anchored inflation expectations and appropriate policy adjustments.

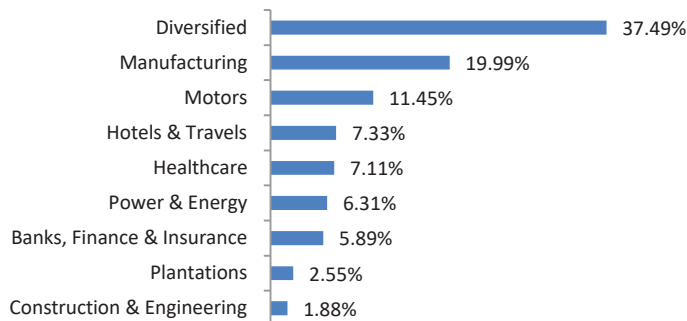
In addition, the Sri Lanka Rupee depreciated by 3.41% and 1.44% respectively in the 6 month and 3 month period ending 30th June 2018. We anticipate an annual depreciation of over 5% for 2018.

Overall Asset Allocation of the Portfolio as at 30th June 2018



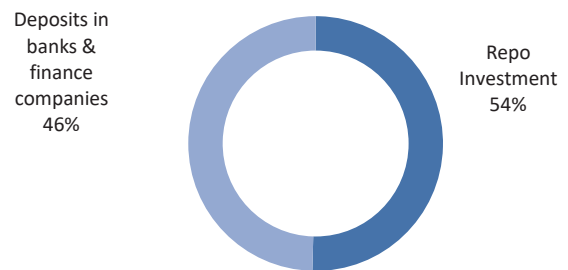
Source: Candor Asset Management (Pvt) Ltd

Equity Allocation by Sector as at 30th June 2018 (As a percentage of total market value of equity holdings)



Source: Candor Asset Management (Pvt) Ltd

Fixed Income Securities Allocation as at 30th June 2018 (As a percentage of total investment in fixed income securities)



Source: Candor Asset Management (Pvt) Ltd

With the drop in share prices in the market, the fund manager increased the allocation to equity from 56% at end March 2018 to 75% at the end of the current reporting period. Furthermore, the fund manager will continue to rebalance the portfolio to in order to gain an advantage from growth sectors in the economy.

Ravi Amarasinghe, CFA
Chief Investment Officer / Fund Manager

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	For the quarter ended		For the 6 month period ended	
	30.06.2018	30.06.2017	30.06.2018	30.06.2017
	Rs.	Rs.	Rs.	Rs.
INVESTMENT INCOME				
Dividend Income	3,005,407	2,544,441	9,422,392	6,111,906
Interest Income	3,870,139	3,541,480	6,617,435	6,489,986
Realised Losses on Financial Assets Held at Fair Value Through Profit or Loss	(1,093,180)	(6,061,388)	(1,131,941)	(3,594,443)
Unrealised (Losses) / Gains on Financial Assets Held at Fair Value Through Profit or Loss	(21,816,665)	51,025,174	(4,089,822)	33,299,020
Total Investment Income	(16,034,299)	51,049,707	10,818,064	42,306,469
EXPENSES				
Management Fees	(2,492,242)	(2,621,491)	(4,949,654)	(5,052,039)
Trustee and Custodian Fees	(283,767)	(294,915)	(563,773)	(572,604)
Audit Fees	(62,656)	(54,237)	(91,014)	(82,593)
Other Expenses	(1,983,825)	(2,540,855)	(3,704,047)	(3,835,255)
	(4,822,490)	(5,511,498)	(9,308,488)	(9,542,491)
NET (LOSS) / PROFIT BEFORE INCOME TAX	(20,856,789)	45,538,209	1,509,576	32,763,978
Income Tax Expense	-	(43,735)	-	(64,088)
NET (LOSS) / PROFIT AFTER INCOME TAX FOR THE PERIOD	(20,856,789)	45,494,474	1,509,576	32,699,890
(DECREASE) / INCREASE IN NET ASSETS ATTRIBUTABLE TO UNIT	(20,856,789)	45,494,474	1,509,576	32,699,890

STATEMENT OF FINANCIAL POSITION

	As at 30.06.2018 Rs.	As at 31.12.2017 Rs. (Audited)
ASSETS		
Cash and Cash Equivalents	8,856,623	739,635
Financial Assets - Loans and Receivables	113,005,304	69,166,766
Financial Assets Held at Fair Value Through Profit or Loss	362,824,808	402,016,610
CDS Receivables	193,014	-
Other Receivables	1,997,468	11,290,000
Income Tax Receivable	1,863,137	1,617,022
	<u>488,740,354</u>	<u>484,830,033</u>
LIABILITIES		
CDS Payable	2,693,048	194,656
Accrued Expenses	952,091	1,049,738
	<u>3,645,139</u>	<u>1,244,394</u>
NET ASSETS	<u>485,095,215</u>	<u>483,585,639</u>
UNIT HOLDERS' FUNDS		
Net Assets Attributable to Unit Holders	<u>485,095,215</u>	<u>483,585,639</u>

These Financial Statements were approved by the Management Company, and adopted by the Trustee.

Signed for and on behalf of the Manager and the Trustee by;


Director
Management Company


Director
Management Company


DEUTSCHE BANK AG
Colombo Branch
Authorized Signatories
Trustee

31 July 2018

STATEMENT OF MOVEMENT IN UNIT HOLDERS' FUNDS

	For the 6 month period ended	
	30.06.2018	30.06.2017
	Rs.	Rs.
UNIT HOLDERS' FUNDS AS AT BEGINNING OF THE PERIOD	483,585,639	504,903,343
Increase in net asset attributable to unit holders	1,509,576	32,699,890
UNIT HOLDERS' FUNDS AS AT END OF THE PERIOD	<u>485,095,215</u>	<u>537,603,233</u>

CASH FLOWS STATEMENT

	For the 6 month period ended	
	30.06.2018	30.06.2017
	Rs.	Rs.
Cash Flows from Operating Activities		
Interest Received	4,575,296	5,108,184
Dividend Received	8,714,924	5,384,966
Management Fees, Custodian Fees and Trustee Fees Paid	(5,537,568)	(5,600,995)
Audit fee paid	(164,519)	(152,316)
Other Expenses Paid	(3,704,047)	(3,835,255)
Sale proceeds from Sale of Equity Securities	183,562,728	169,315,180
Purchase of Equity Securities	(137,287,312)	(168,437,229)
Net Investment in Treasury Bill/Bond Repurchase Agreements	7,957,486	(33,470,771)
Net Investment in Trust Certificates	-	30,531,587
Net Investment in Fixed Deposits	(50,000,000)	-
Net Cash Flow generated from / (used) in Operating Activities	8,116,988	(1,156,649)
Net Increase / (Decrease) in Cash and Cash Equivalents	8,116,988	(1,156,649)
Cash and Cash Equivalents at the beginning of the period	739,635	2,121,756
Cash and Cash Equivalents at the end of the period	8,856,623	965,107

EXPLANATORY NOTES**1. GENERAL INFORMATION**

Candor Opportunities Fund (the Fund) is close-ended listed unit trust Fund approved by the Securities and Exchange Commission of Sri Lanka. The Fund was launched on 20 October 2015. The Fund is created and established for a 5 years commencing from the date of allotment 20 November 2015.

The Fund is managed by Candor Asset Management (Private) Limited which is incorporated and domiciled in Sri Lanka. The registered office of the management company is located at level 08, South Wing, Millennium House, 46/58, Nawam Mawatha, Colombo 02. The trustee of the Fund is Deutsche Bank AG having its place of business at No 86, Galle Road, Colombo 03.

The investment objective of the Fund is to achieve growth of capital and income to Unit Holders by adopting a dynamic asset allocation strategy for investment in listed equities and in fixed income securities.

2. BASIS OF PREPARATION

- 2.1** All figures for the period ended 30 June 2018 are provisional and unaudited.
- 2.2** The quarterly financial statement have been prepared and presented in accordance with Sri Lanka Accounting Standards.
- 2.3** There were no changes to the Accounting Policies and methods of computation since the publication of the Annual Report 2017.
- 2.4** The financial statements are presented in Sri Lankan rupees.

UNIT INFORMATION

1 Related party unit holding as at 30 June 2018

Unit holder	Relationship	No. of Units
Mr. Dharshan Ravindra Abeysuriya	Director of the Management Company	100,000
Mr. Ravindra Amarasinghe	Chief Investment Officer	1,550,000
Eagle Proprietary Investments Limited	Parent Company of the Management Company	10,000,000

2. Unit Price Movement

The unit market prices during the quarter ended 30 June 2018

for the quarter ended 30
June 2018

	Rs.
Highest Price	9.90
Lowest Price	6.70
Last Traded Price	6.70

3. Net Asset Value of a unit as at 30 June 2018 is Rs. 9.57.

4. List of 20 major Unit Holders based on their unit holdings as at 30 June 2018

Name of the Unit holder	No. of Units	Holding %
Eagle Proprietary Investments Limited	10,000,000	19.80%
Perpetual Holdings Ltd	10,000,000	19.80%
Thurston Investments Limited	5,000,000	9.90%
Bartleet Religare Securities (Pvt) Ltd	2,500,000	4.95%
Housing Development Finance Corp	2,500,000	4.95%
Janashakthi General Insurance Limited	2,500,000	4.95%
Ravindra Amarasinghe	1,550,000	3.07%
Dinal Asanka Peiris	1,010,000	2.00%
Horanagamage Don Anton Damascene	1,000,000	1.98%
Mallory Eraj Wijesinghe	1,000,000	1.98%
Life Insurance Corporation (Lanka) Ltd	650,000	1.29%
Upali Amarasinghe	500,000	0.99%
Bartleet Asset Management (Pvt) Ltd	500,000	0.99%
Code-Gen International Pvt Ltd	500,000	0.99%
Wen Chieh Teng	414,500	0.82%
Ajith Surendra Ratnayake	386,519	0.77%
Built Element Limited	300,000	0.59%
Lamurep Investments Limited Accoimited Account No.1	300,000	0.59%
Ravindra Rajakariar	300,000	0.59%
Visvanathamoorthy Govindasamy	250,000	0.50%
Sandya Kumari	250,000	0.50%

MANAGEMENT COMPANY INFORMATION

Managing Company	Candor Asset Management (Pvt) Ltd Level 8, South Wing, Millennium House 46/58, Nawam Mawatha Colombo 02 Sri Lanka T: +94 11 235 9100 F: +94 11 231 4831 Web: www.candor-holdings.com
Board of Directors of Managing Company	Mr. Rajiv Nandlal Dvivedi Ms. Sharon Veronica D'Souza Mr. Dharshan Ravindra Abeysuriya
Bankers	Nations Trust Bank PLC No 242, Union Place Colombo 2 Sri Lanka Deutsche Bank AG 86, Galle Road Colombo 03 Sri Lanka
Auditors	KPMG Chartered Accountants 32A, Sir Mohamed Macan Markar Mawatha Colombo 03 Sri Lanka
Lawyers	Nithya Partners Attorneys-at-Law No. 97A, Galle Road Colombo 03

FUND INFORMATION

Registrar	Candor Asset Management (Pvt) Ltd Level 8, South Wing Millennium House 46/58, Nawam Mawatha Colombo 02 Sri Lanka
Trustee and Custodian	Deutsche Bank AG 86, Galle Road Colombo 03 Sri Lanka
Auditors	Ernst & Young 201, De Saram Place Colombo 10 Sri Lanka
Lawyers	Nithya Partners Attorneys-at-Law No. 97A, Galle Road Colombo 03