

# **CANDOR OPPORTUNITIES FUND**

## **QUARTERLY REPORT** **September 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 30<sup>th</sup> September 2018.

The All Share Price Index (ASPI) declined by 5.37% while the Fund has declined by 6.37% in the three-month period ending 30<sup>th</sup> September 2018. Foreign investors were net seller in the share market with a net foreign outflow of LKR 4.5 billion in the 3Q2018 vs. LKR 4.2 billion in 3Q2017. In terms of activity, the daily average turnover in the 3 month period ending 30<sup>th</sup> September 2018 was LKR 510 million as opposed to LKR 888 million in the same period last year depicting a slowing down of total participation in the current period under review.

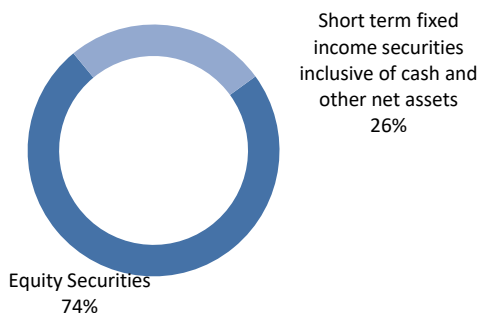
The weighted average repo rate declined from 8.46% at end June 2018 to 8.33% at end September 2018 while there was a shortage of overall money market liquidity at the end of the reporting period. Benchmark 3 month, and 12 month Treasury bill yields moved up from 8.32% and 9.39% respectively at end June 2018 to 8.56% and 9.51% respectively at end September 2018. The six month Treasury bill rate however, declined during 3Q2018 from 8.85% to 8.60%.

Meanwhile inflation as measured by the Year on Year change in the Colombo Consumer Price Index decreased from 4.4% in June 2018 to 4.3% in September 2018.

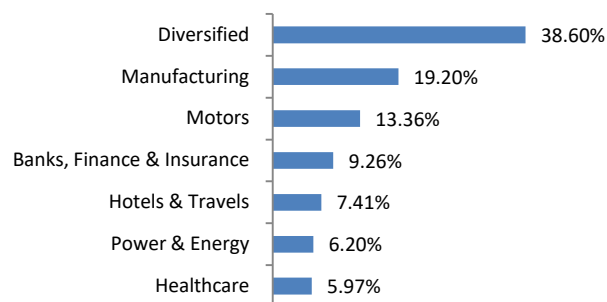
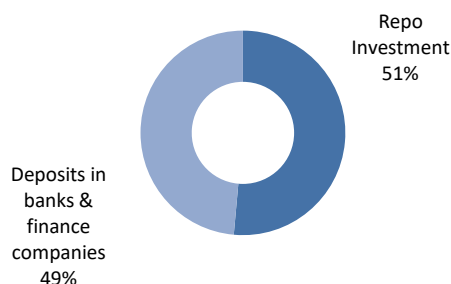
The Rupee depreciated by 6.49% in 3Q2018 vs. an appreciation of 0.27% during the same period last year. We foresee further LKR depreciation in 2018 as global dynamics in the form of a strengthening US dollar and increasing US interest rates have multiple implications on Sri Lanka. We are witnessing net outflows from the Sri Lankan financial markets (equity and Government securities) while rising oil prices and debt repayments add further pressure on foreign reserves.

We anticipate the next quarter to be a challenging one as well for the equity market.

#### Overall Asset Allocation of the Portfolio as at 30<sup>th</sup> September 2018



Source: Candor Asset Management (Pvt) Ltd

**Equity Allocation by Sector as at 30<sup>th</sup> Sep 2018***(As a percentage of total market value of equity holdings)**Source: Candor Asset Management (Pvt) Ltd***Fixed Income Securities Allocation as at 30<sup>th</sup> Sep 2018***(As a percentage of total investment in fixed income securities)**Source: Candor Asset Management (Pvt) Ltd*

The equity market remains challenging for the rest of the year as the global and local operating environments face headwinds. With the share market presenting the long term investor with attractive prices, the Fund Manager will take the opportunity to rebalance the portfolio and increase exposure to value driven shares.

**Ravi Amarasinghe, CFA****Chief Investment Officer / Fund Manager**

## STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	For the quarter ended		For the 9 month period ended	
	30.09.2018	30.09.2017	30.09.2018	30.09.2017
	Rs.	Rs.	Rs.	Rs.
<b>INVESTMENT INCOME</b>				
Dividend Income	3,204,739	3,644,100	12,627,131	9,756,006
Interest Income	2,772,038	2,685,249	9,389,473	9,175,236
Realised Losses on Financial Assets Held at Fair Value Through Profit or Loss	(2,753,073)	(3,472,092)	(3,885,014)	(7,066,534)
Unrealised (Losses) / Gains on Financial Assets Held at Fair Value Through Profit or Loss	(30,547,235)	(22,459,506)	(34,637,057)	10,839,514
Total Investment Income	(27,323,531)	(19,602,249)	(16,505,467)	22,704,222
<b>EXPENSES</b>				
Management Fees	(2,351,084)	(2,640,024)	(7,300,738)	(7,692,063)
Trustee and Custodian Fees	(272,348)	(297,269)	(836,121)	(869,873)
Audit Fees	(61,487)	(28,986)	(152,501)	(111,578)
Other Expenses	(735,995)	(1,217,243)	(4,440,042)	(5,052,499)
	(3,420,914)	(4,183,522)	(12,729,402)	(13,726,013)
<b>NET (LOSS) / PROFIT BEFORE INCOME TAX</b>	<b>(30,744,445)</b>	<b>(23,785,771)</b>	<b>(29,234,869)</b>	<b>8,978,209</b>
Income Tax Expense	-	29,071	-	(35,017)
<b>NET (LOSS) / PROFIT AFTER INCOME TAX FOR THE PERIOD</b>	<b>(30,744,445)</b>	<b>(23,756,700)</b>	<b>(29,234,869)</b>	<b>8,943,192</b>
<b>(DECREASE) / INCREASE IN NET ASSETS ATTRIBUTABLE TO UNIT</b>	<b>(30,744,445)</b>	<b>(23,756,700)</b>	<b>(29,234,869)</b>	<b>8,943,192</b>

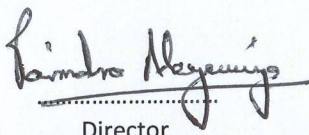
**STATEMENT OF FINANCIAL POSITION**

	As at 30.09.2018 Rs.	As at 31.12.2017 Rs. (Audited)
<b>ASSETS</b>		
Cash and Cash Equivalents	6,380,756	739,635
Financial Assets - Loans and Receivables	109,653,798	69,166,766
Financial Assets Held at Fair Value Through Profit or Loss	335,647,227	402,016,610
CDS Receivables	1,787,256	-
Other Receivables	-	11,290,000
Income Tax Receivable	1,863,137	1,617,022
	<u>455,332,174</u>	<u>484,830,033</u>
<b>LIABILITIES</b>		
CDS Payable	-	194,656
Accrued Expenses	981,404	1,049,738
	<u>981,404</u>	<u>1,244,394</u>
<b>NET ASSETS</b>	<u><b>454,350,770</b></u>	<u><b>483,585,639</b></u>
<b>UNIT HOLDERS' FUNDS</b>		
Net Assets Attributable to Unit Holders	<u><b>454,350,770</b></u>	<u><b>483,585,639</b></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 Signatory  
 Trustee

29 October 2018

**STATEMENT OF MOVEMENT IN UNIT HOLDERS' FUNDS**

	For the 9 month period ended	
	30.09.2018	30.09.2017
	Rs.	Rs.
<b>UNIT HOLDERS' FUNDS AS AT BEGINNING OF THE PERIOD</b>	483,585,639	504,903,343
Increase in net asset attributable to unit holders	(29,234,869)	8,943,192
<b>UNIT HOLDERS' FUNDS AS AT END OF THE PERIOD</b>	<b><u>454,350,770</u></b>	<b><u>513,846,535</u></b>

## CASH FLOWS STATEMENT

	For the 9 month period ended	
	30.09.2018	30.09.2017
	Rs.	Rs.
<b>Cash Flows from Operating Activities</b>		
Interest Received	5,887,456	10,516,565
Dividend Received	13,917,131	11,488,506
Management Fees, Custodian Fees and Trustee Fees Paid	(8,220,502)	(8,572,240)
Audit fee paid	(187,191)	(152,315)
Other Expenses Paid	(4,390,041)	(5,052,499)
Sale proceeds from Sale of Equity Securities	210,688,131	190,089,028
Purchase of Equity Securities	(174,822,733)	(251,814,734)
Net Investment in Treasury Bill/Bond Repurchase Agreements	12,768,870	(1,990,238)
Net Investment in Trust Certificates	-	55,142,674
Net Investment in Fixed Deposits	(50,000,000)	-
<b>Net Cash Flow generated from / (used) in Operating Activities</b>	<b>5,641,121</b>	<b>(345,253)</b>
Net Increase / (Decrease) in Cash and Cash Equivalents	5,641,121	(345,253)
Cash and Cash Equivalents at the beginning of the period	739,635	2,121,756
<b>Cash and Cash Equivalents at the end of the period</b>	<b>6,380,756</b>	<b>1,776,503</b>



**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 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. TRUSTEE CHANGE**

The trustee and the custodian of the Fund will be changed with effect from 1st November 2018. Accordingly, the Deutsche Bank AG will be resigning from the trustee and custodian and the Hatton National Bank PLC will be appointed as new trustee and custodian.

**3. BASIS OF PREPARATION**

**3.1** All figures for the period ended 30 September 2018 are provisional and unaudited.

**3.2** The quarterly financial statement have been prepared and presented in accordance with Sri Lanka Accounting Standards.

**3.3** There were no changes to the Accounting Policies and methods of computation since the publication of the Annual Report 2017.

**3.4** The financial statements are presented in Sri Lankan rupees.

## UNIT INFORMATION

## 1 Related party unit holding as at 30 September 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 September 2018

for the quarter ended 30  
September 2018

	Rs.
Highest Price	8.90
Lowest Price	6.70
Last Traded Price	7.00

## 3. Net Asset Value of a unit as at 30 September 2018 is Rs. 8.96.

## 4. List of 20 major Unit Holders based on their unit holdings as at 30 September 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: <a href="http://www.candor-holdings.com">www.candor-holdings.com</a>
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