



ශ්‍රී ලංකා මහ බැංකුව  
இலங்கை மத்திய வங்கி  
CENTRAL BANK OF SRI LANKA

**Communications Department**

**30, Janadhipathi Mawatha, Colombo 01, Sri Lanka.**

**Tel : 2477424, 2477423, 2477311**

**Fax: 2346257, 2477739**

**E-mail: [dcommunications@cbsl.lk](mailto:dcommunications@cbsl.lk), [communications@cbsl.lk](mailto:communications@cbsl.lk)**

**Web: [www.cbsl.gov.lk](http://www.cbsl.gov.lk)**

## **Press Release**

**Issued By** Employees' Provident Fund

**Date** 22-04-2014

### **EPF's profits in the five years 2009 to 2013 exceed Rs.558 billion**

The Employees' Provident Fund (EPF) wishes to state that some media reports which highlight that the EPF has made billions of losses in investing in the stock market is misleading and erroneous. Such losses reported by some media and politicians are not realized losses, but are marked-to-market unrealized losses, arising from variations in marker prices of stocks. Therefore these unrealized losses/gains do not increase or decrease the benefits distributed to the members. Such unrealized losses fluctuate widely as is evident from the peak of Rs.20.7 billion unrealized gains on 14<sup>th</sup> February 2011, when the All Share Price Index was at its all time high, to Rs.9.0 billion unrealized losses at end 2013. Such unrealized losses have now reduced to Rs.4.4 bn by 21<sup>st</sup> April 2014, or 51 per cent, while the ASPI has increased only by 4.46 per cent during the same period. This confirms the fact that the EPF's equity portfolio has been managed prudently so that performance of the portfolio has well out-performed the market trends.

The EPF also wishes to state that the as a result of EPF's prudent investments and sound management, it has been able to declare impressive rates of return of 13.75 per cent in 2009, 12.5 per cent in 2010, 11.5 per cent in 2011, 11.5 per cent in 2012 and 11 per cent in 2013 out of profits earned by the Fund. Such rates of return were substantially above the interest rates applicable to normal deposits in the financial market during the respective periods. In absolute terms, the Fund has made profits of Rs 101.7 billion, Rs 111.5 billion, Rs 107.5 billion, Rs 111.8 billion and Rs.125.6 bn in the years 2009, 2010, 2011, 2012 and 2013 respectively, to its members.

The EPF has invested around 92 per cent of its funds in Government securities, and around 6 per cent in the stock market. The balance 2 per cent has been invested in corporate debentures and short-term government securities. The investments in the stock market have been made with a long term focus to generate profit and enhance the Fund's capital base over the longer term. In that exercise, the EPF considers, inter alia, the intrinsic value of shares of companies and their longer term outlook, the possible enhancement of share value in the medium to long term, the company's governing structures and future plans, the quantity of shares available of such companies, the viability and growth potential of the relevant industry and the possible impact of the growing economy on the company. Further, as is practiced by many large long term funds all over the world, the EPF maintains its equity portfolio as a pool of diversified investments.

In the case of equity investments, it must be noted that the performance of different companies and the market values of the shares of companies within the portfolio at different times, depend on global, economic, political, financial, sector-specific and company-specific, factors. In that background, companies as well as the entire share market does not perform uniformly, nor does the market prices of shares continue to rise at all times.

In recent times, the Colombo Stock Exchange had experienced a bearish trend, where prices of a majority of the shares have been trading at lower rates than those that prevailed previously. This is not an unusual phenomenon today, with many stock markets all over the world experiencing slow growth on downturns. In such situations, it is natural to have unrealized losses in some shares on a marked-to-market basis, but such losses would be realized only if such shares are sold at losses. Accordingly, there have been no realized losses to the EPF, and in any event, most shares are expected to record reasonable increases in value of the Fund over the longer term.

Therefore, the EPF regrets the attempts of certain persons to mislead the general public and its members by erroneous and sometimes mischievous media reports.