



First Capital  
A Janashakthi Group Company

# *EQUITY STRATEGY*

## *“DIVE DEEP INTO BULLISHNESS”*

FIRST CAPITAL RESEARCH

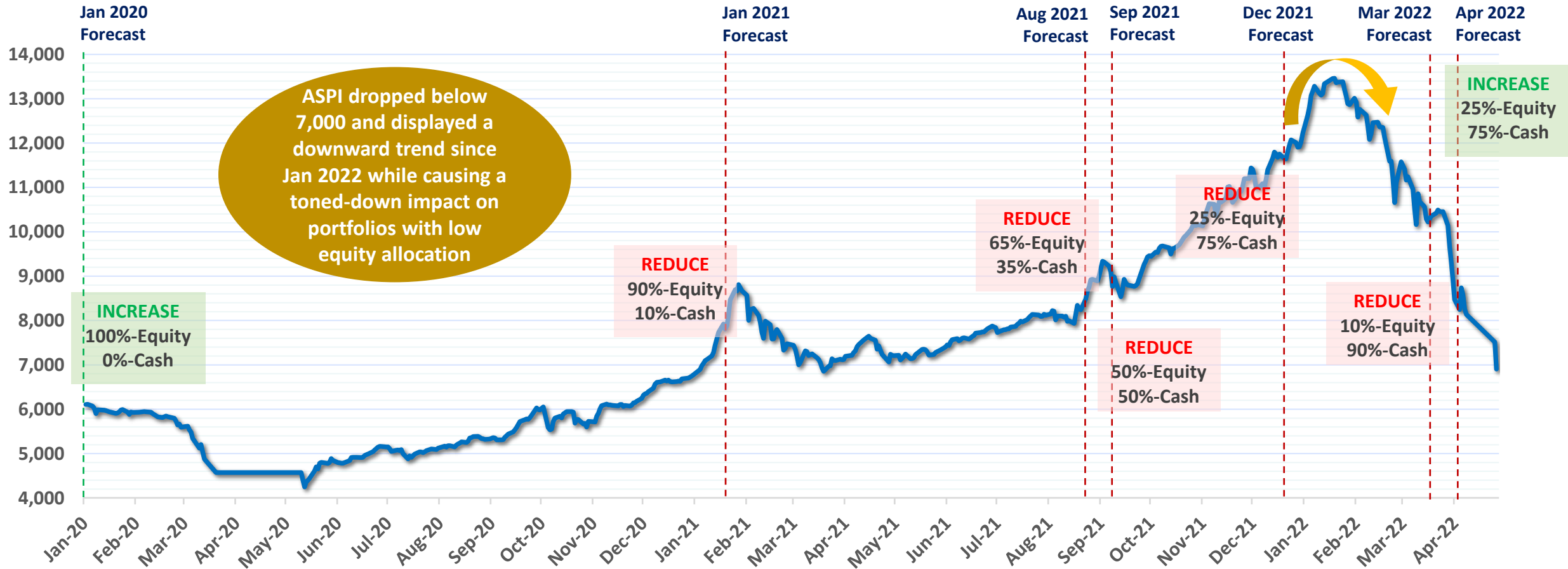
Analysts: Dimantha Mathew  
Vidushika Perera

26<sup>th</sup> APR 2022

# RECAP: 04 APR 2022

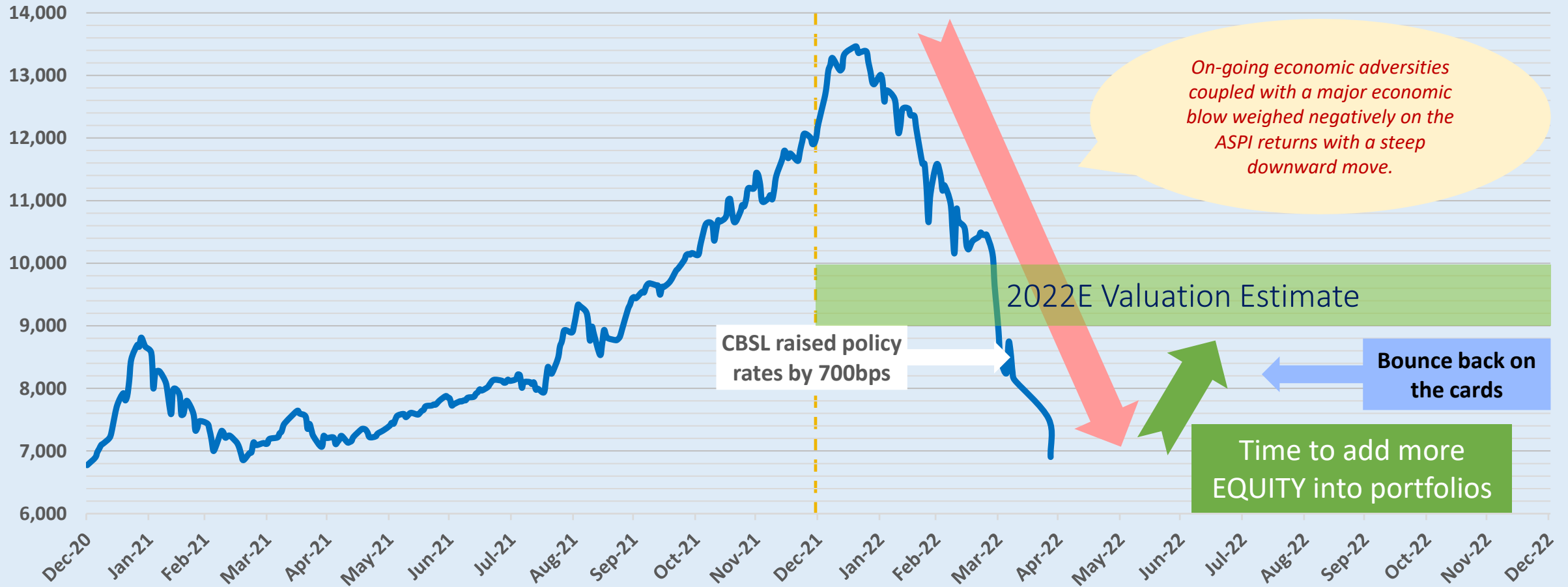
*Accuracy maintained*

Increase exposure to 25% from 10%; Cash 75%



Source: CSE, First Capital Research

# We **maintain** our ASPI expectations for 2022E at 9,000-10,000 as stated in our Equity Strategy (Dec 2021)



Source: CSE, First Capital Research



WAY  
FORWARD



“Actively **BUY** into the market, Increase Equity Exposure **upto 50%** from 25%”

# Why a **BULLISH** turn...?

Equity Market is expected to react positively towards the following drivers

## Potential Political Stability

Stressing the need for re-establishing political stability is expected to lead towards forming an Interim Government. Moreover, 21<sup>st</sup> Constitutional Amendment to be proposed may further aid in regaining the stability and thereby affect positively on the Stock Market sentiment.

## Debt Restructuring

On-going discussions for debt restructuring and anticipated positive response from the fund providers is expected to ease off the current debt burden.

## IMF Bailout & Other Multilateral Funding Flows

On-going IMF discussions and expected financial and technical assistance in overcoming the current crisis is comforting the market participants as a silver lining in the dark clouds.

# Double up Equity Investments



*Investors  
with  
adequate  
**CASH**  
allocation*

The investors who have followed FCR equity recommendations all throughout would currently possess a cash allocation of 25% in line with our previous Apr-22 recommendation. We recommend investors to accelerate buying into our Top Picks and to increase the equity allocation up to 50%.

*Investors  
with  
substantial  
**EQUITY**  
allocation*

Continue to restructure the portfolio via cautiously moving into a diversified equity portfolio comprising with prospective and defensive counters as mentioned in our Top Picks.



# Top Picks 2022



# Dollar Earning Companies...

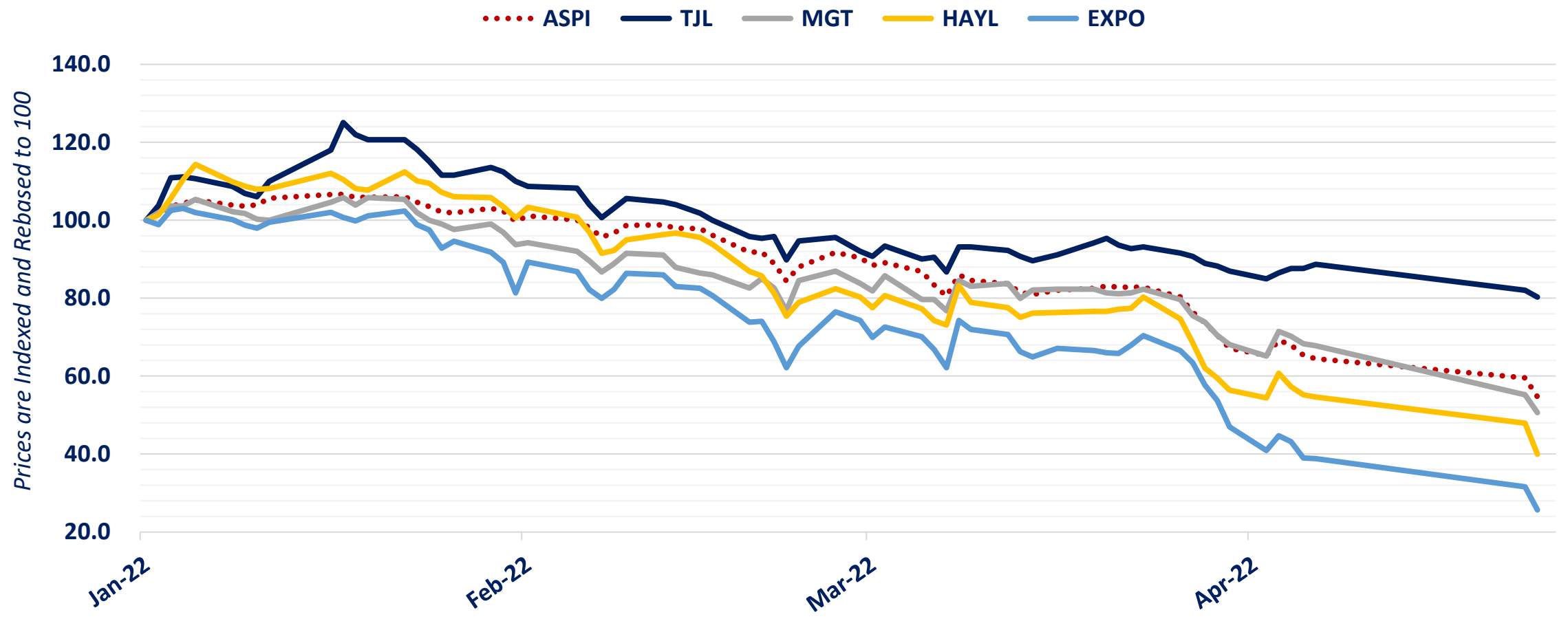
Dollar earning entities are blessed with exceptional results over steep depreciation on LKR against the greenback as a result of the free float of exchange rate. Accordingly, LKR depreciated by c. 69% YTD.

	Stock	Stock Code	Price as at 26.04.2022 LKR	Price Drop from the Peak LKR
	Teejay Lanka	TJL.N0000	36.20	-36%
	Hayleys Fabric	MGT.N0000	20.90	-52%
	Hayleys	HAYL.N0000	51.60	-64%
	Expolanka Holdings	EXPO.N0000	99.30	-75%









# Dollar Earning Companies... YTD Price Movement Vs ASPI



# Banking Counters...

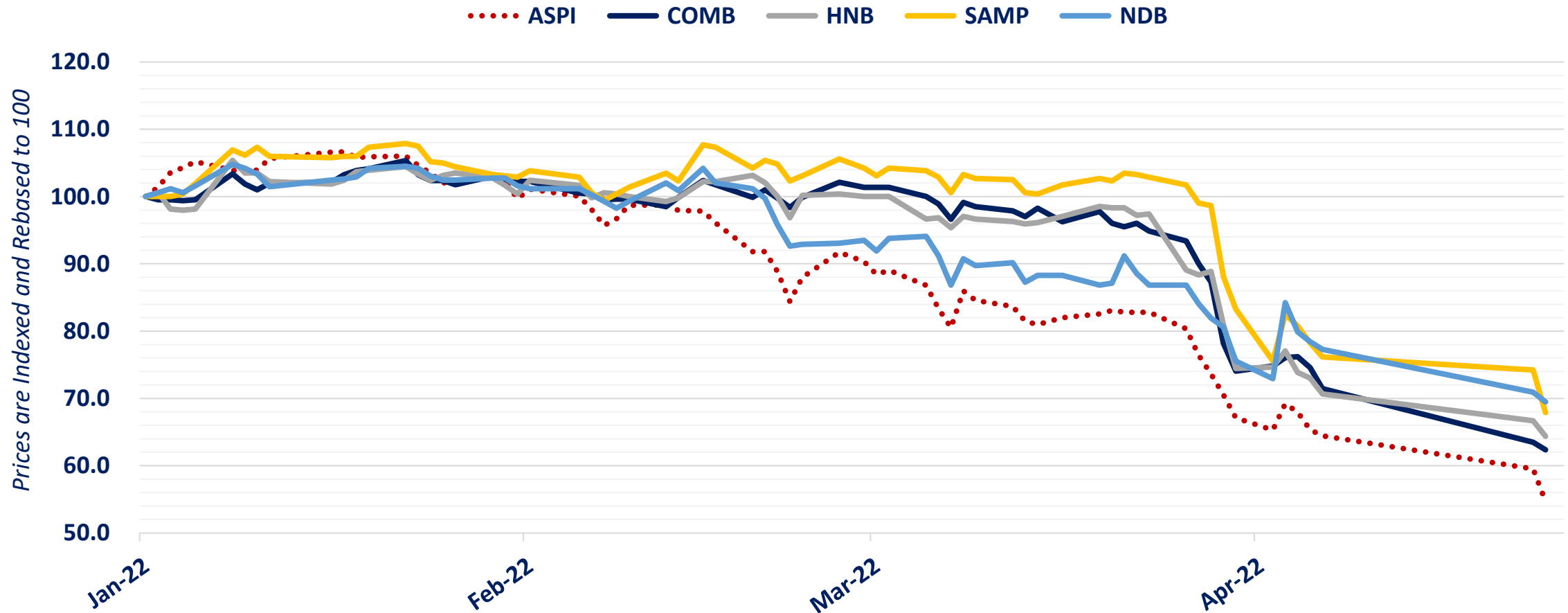
Banking counters are expected to be benefited with the massive rise in interest rates via enhanced interest margins. However, significant exposure to dollar denominated government securities may still pose a threat.

Stock	Stock Code	Price as at 26.04.2022 LKR	Price Drop from the Peak LKR
 Commercial Bank of Ceylon	COMB.N0000	50.00	-40%
 Hatton National Bank	HNB.N0000	86.90	-37%
 Sampath Bank	SAMP.N0000	35.30	-36%
 National Development Bank	NDB.N0000	48.00	-32%





# Banking Counters...

## YTD Price Movement Vs ASPI



# Life Insurance Companies...

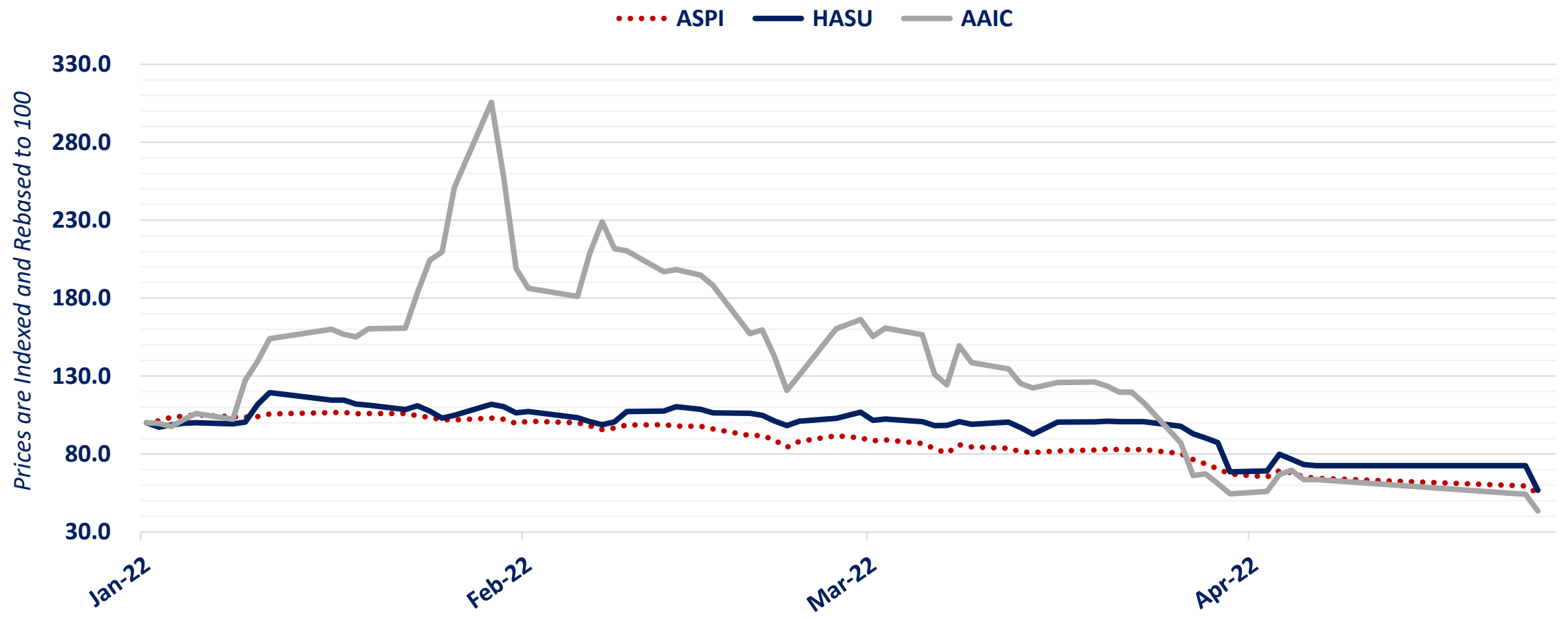
Life insurance companies are expected to benefit through rising interest rates due to the lower liability valuations and thereby reduce the charge over change in insurance contract liabilities. Moreover, increased investment income is also expected to enhance the earnings.

Stock	Stock Code	Price as at 26.04.2022	Price Drop from the Peak
		LKR	LKR
 HNB Assurance	HASU.N0000	28.10	-51%
 Softlogic Life Insurance	AAIC.N0000	30.90	-72%







# Life Insurance Companies... YTD Price Movement Vs ASPI



# High Dividend Yielding Counters...

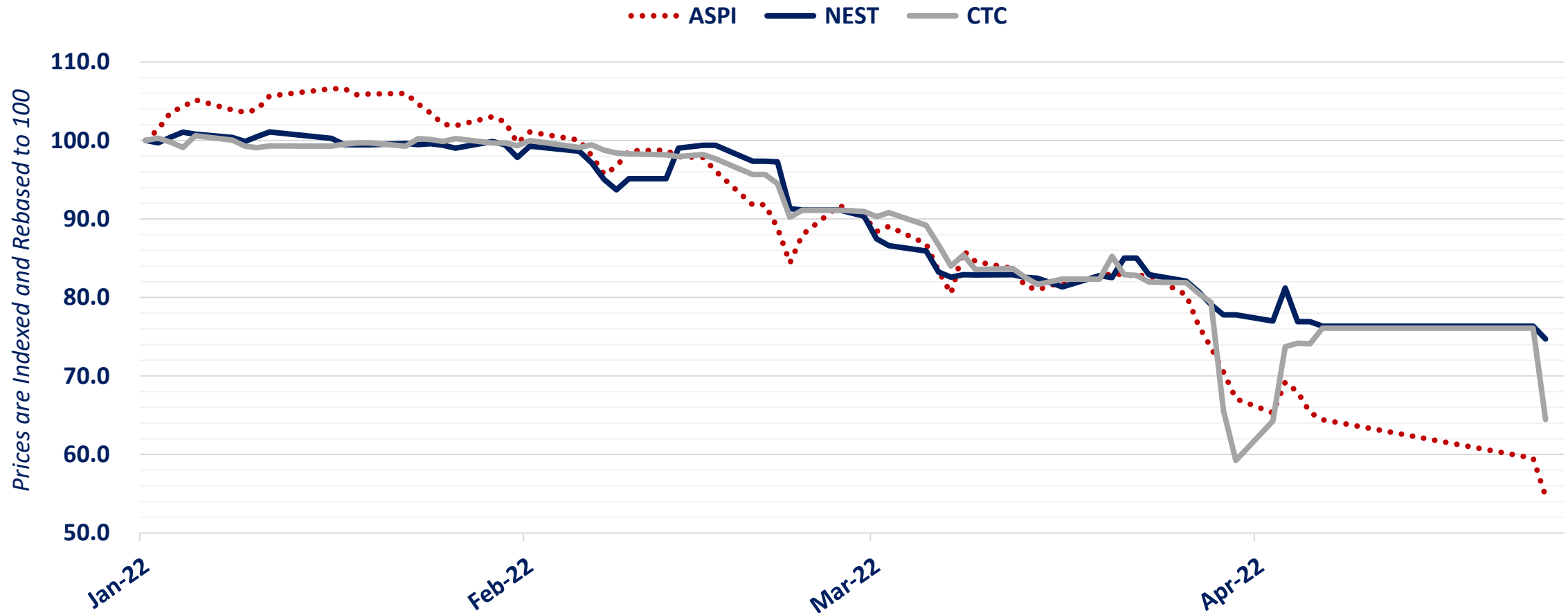
Nestle and CTC are among the high dividend yielding and defensive counters where the earnings remain relatively stable during economic downturns while also possessing high pricing power.

Stock	Stock Code	Price as at 26.04.2022	Price Drop from the Peak
		LKR	LKR
 Nestle Lanka	NEST.N0000	901.50	-25%
 Ceylon Tobacco	CTC.N0000	566.00	-35%





# High Dividend Yielding Counters...

## YTD Price Movement Vs ASPI



# Utilities Sector Companies...

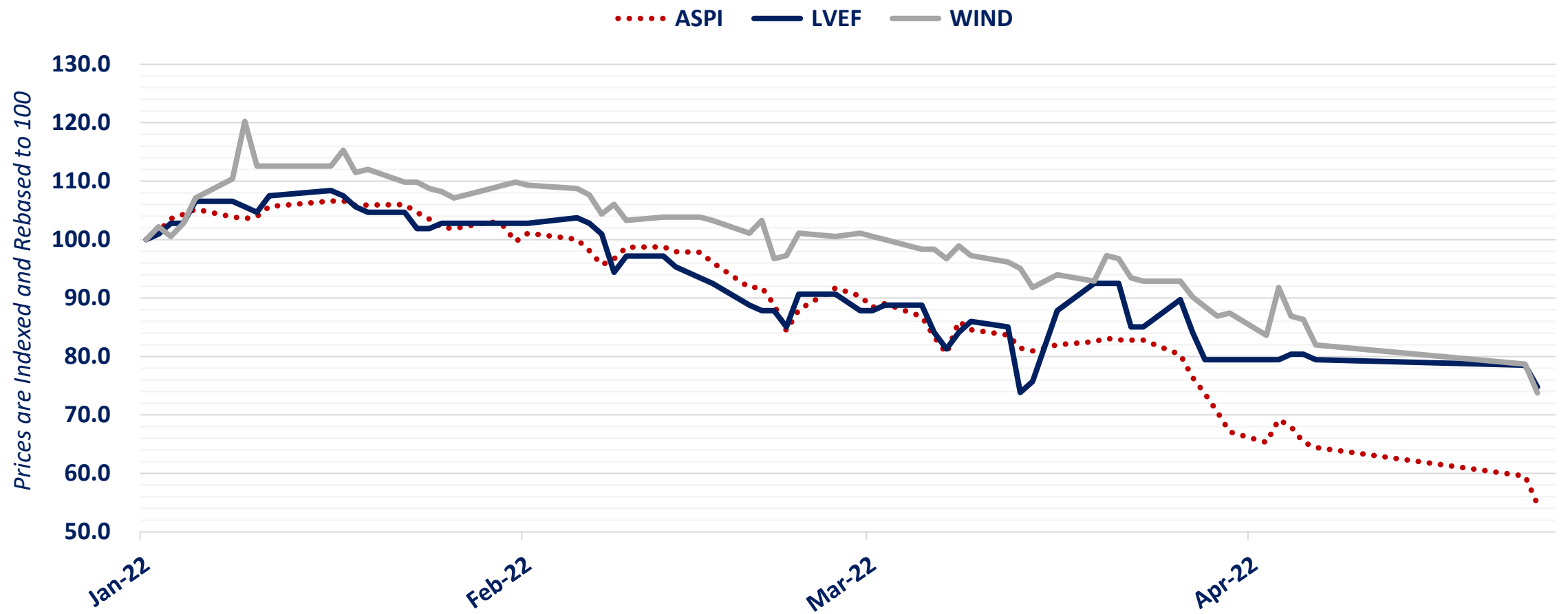
Utility sector is resilient towards economic shocks. Given the on-going power crisis in the country, the entities operating in the renewable energy sector are expected to boom in the future with piling energy projects.

Stock	Stock Code	Price as at 26.04.2022	Price Drop from the Peak	
		LKR	LKR	
	LVL Energy Fund	LVEF.N0000	8.00	-30%
	Windforce	WIND.N0000	13.50	-36%







# Utilities Sector Companies... YTD Price Movement Vs ASPI



# Tourism Sector Counters...

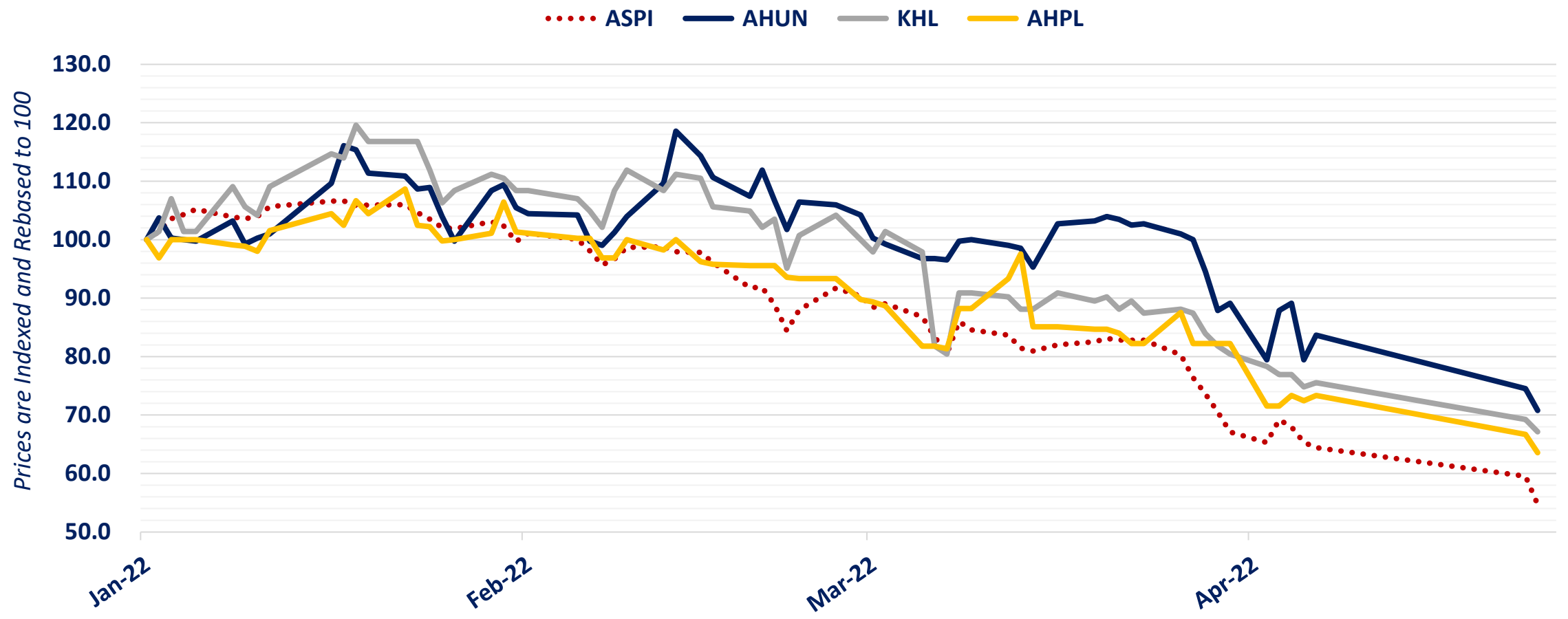
Tourism sector is gradually recovering after heavily beaten by the pandemic. Despite a temporary holdback due to current political and economic unrest in the country, the projected recovery is expected to be accelerated following a glimpse of economic stability.

Stock	Stock Code	Price as at 26.04.2022 LKR	Price Drop from the Peak LKR
 Aitken Spence Hotel	AHUN.N0000	28.60	-39%
 John Keells Hotels	KHL.N0000	9.60	-41%
 Asian Hotels & Properties	AHPL.N0000	28.60	-38%





# Tourism Sector Counters...

# YTD Price Movement Vs ASPI



# Construction & Building Material Companies...

RCL and AEL are among the counters that witnessed a deep discount from the market peak in mid Jan 2022. However, once the economic activities get normalised, the construction and building material sector is expected to be on the top to place the growth on a fast-track.

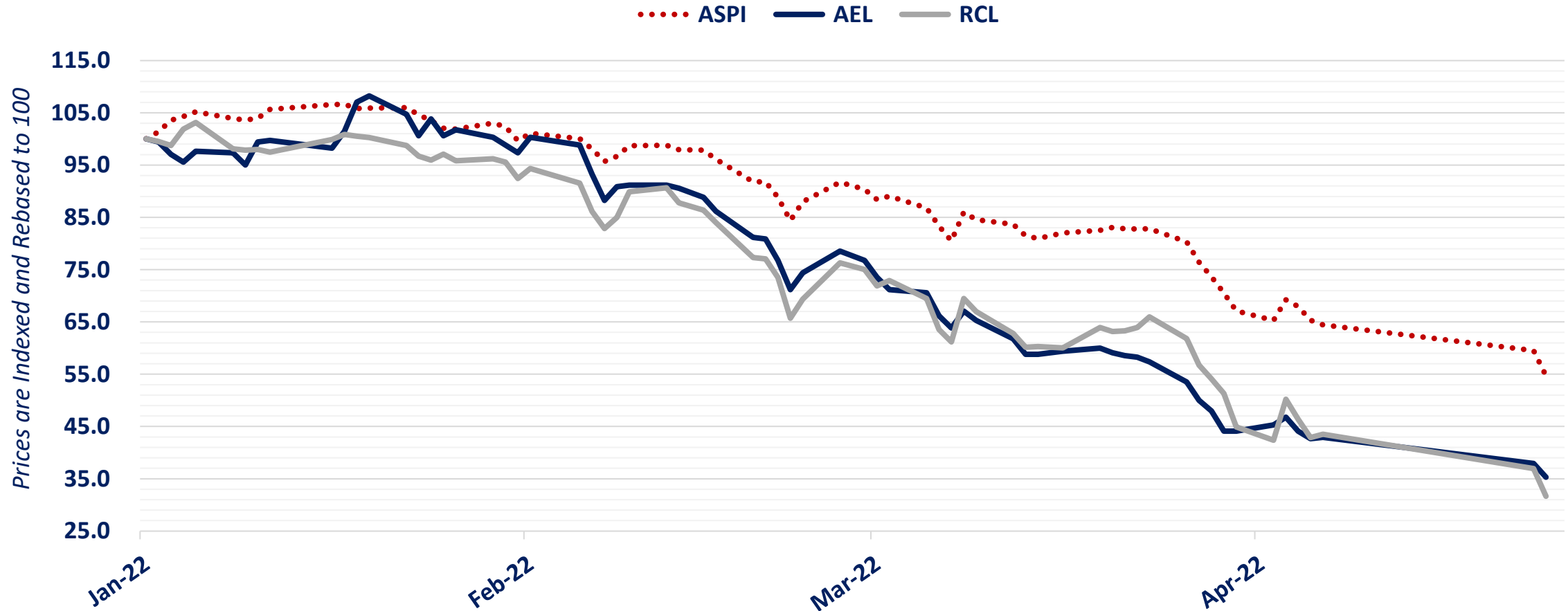
Stock	Stock Code	Price as at 26.04.2022	Price Drop from the Peak	
		LKR	LKR	
	Access Engineering	AEL.N0000	12.00	-65%
	Royal Ceramics	RCL.N0000	25.10	-69%





# Construction & Building Material Companies...

## YTD Price Movement Vs ASPI



# THANK YOU

“Successful Investment Is About Managing Risk...”

## CONTACT US

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