

8th August 2008

**Ceylon Guardian
Investment Trust
PLC**

**Discount to actual net asset value to
reduce.**

Non Core Coverage

**Strategic View
Positive**

**Ticker
GUAR**

**Share Price*
Rs.160.25**

**Market Cap*
Rs. 3,034,832,384**

**ASPI*
2,466.56**

**MPI*
2,931.72**

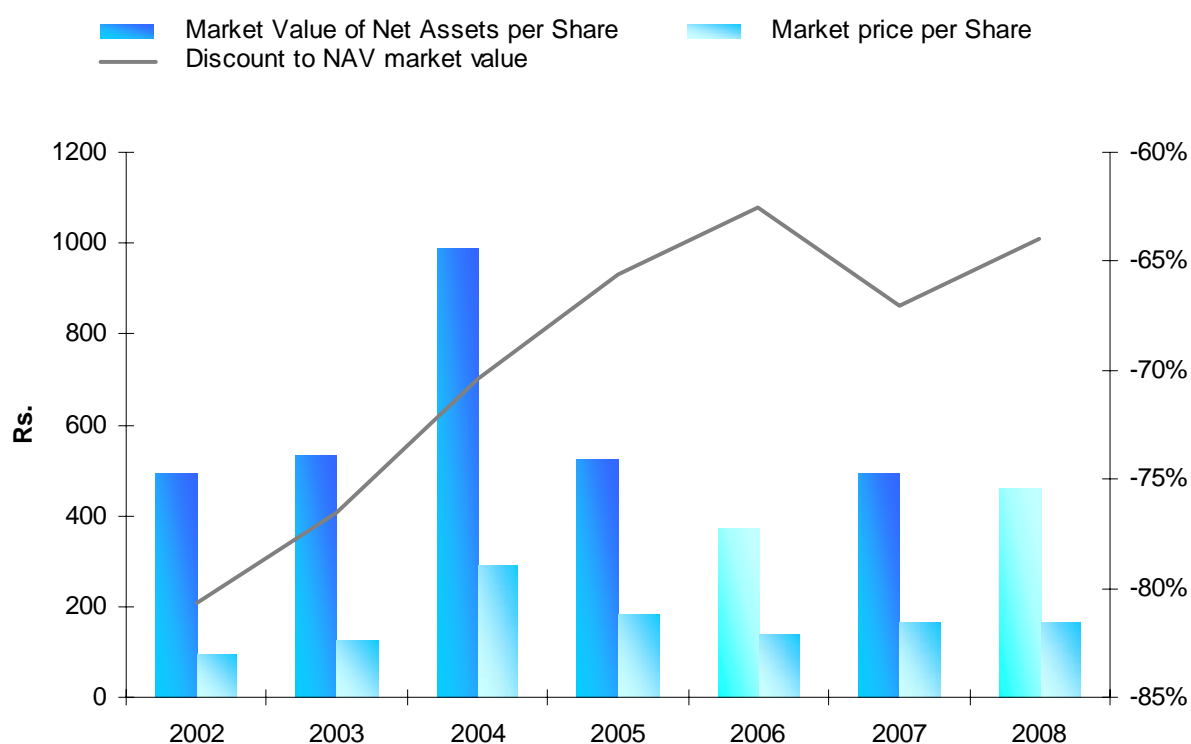
Analysts

**Tharini
Satkunanathan**

*CSE DATA as at 8th of August
2008

- ◆ The Ceylon Guardian Investment Trust PLC trades a discount of over 60% to the market value of the investment portfolio held by it.
- ◆ While there is no immediate catalyst that we can identify for this discount to narrow, in the longer term we take a positive view that the market price of the share will come close to the actual net asset value of the company.
- ◆ The new company's act which allows companies to buy back their own shares, has created an opportunity for companies such as Ceylon Guardian to buy back its own shares.
- ◆ With it's shares trading at such a huge discount to their underlying asset value, in most case a buy back of its own shares would appear to be on the best investment option available for the company.

As seen underneath, the market price of Guardian has always traded at a substantial discount to the underlying value of its assets, but that discount has been progressively reducing. In March 2002 the discount was 81% but as at March 31st 2008 it had come down to a 64% discount. We believe such a substantial discount is not warranted and believe the discount will continue to narrow in the longer term.



The equity portfolio for Ceylon Guardian at 31st March 2008 is summarized below.

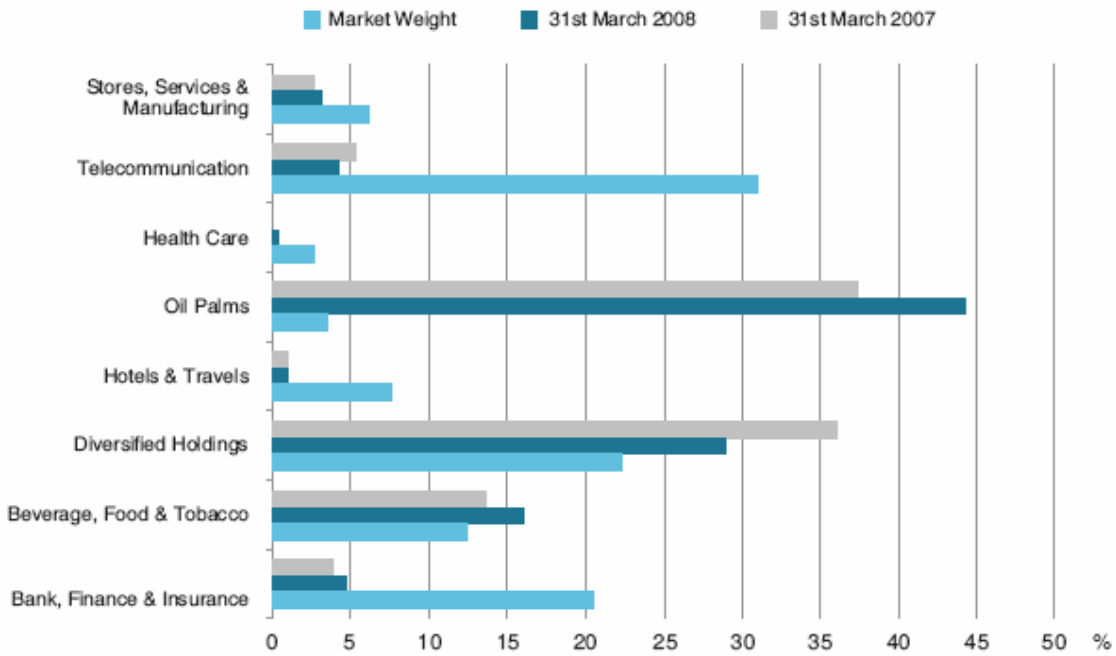
<i>Rs.'mn</i>	31.03.07	31.03.08
Long-term	5,335.31	4,563.92
Short-term	367.14	176.45
Strategic	4,453.01	4,704.38

Top Holdings as at 31st March 2008	Value of the holding Rs. mn	Portfolio weight %
Non Group Holdings		
John Keells Holdings	2,015	19.22
Ceylon Cold Stores	567	5.41
Distilleries Co. of Sri Lanka	443	4.22
Hayleys	394	3.75
Cargills (Ceylon)	224	2.14
Non-Group Holdings Total	3,643	
Carsons Group Holdings		
Bukit Darah PLC	2,805	26.75
Indo-Malay PLC	516	4.9
Union Assurance PLC	402	3.83
Good Hope PLC	392	3.75
Selinsing PLC	356	3.4
Carsons Group Holdings Total	4,471	
Top 10 Holdings	8,114	86.03
Other Holdings	1,313	13.97
Total portfolio	9,427	100

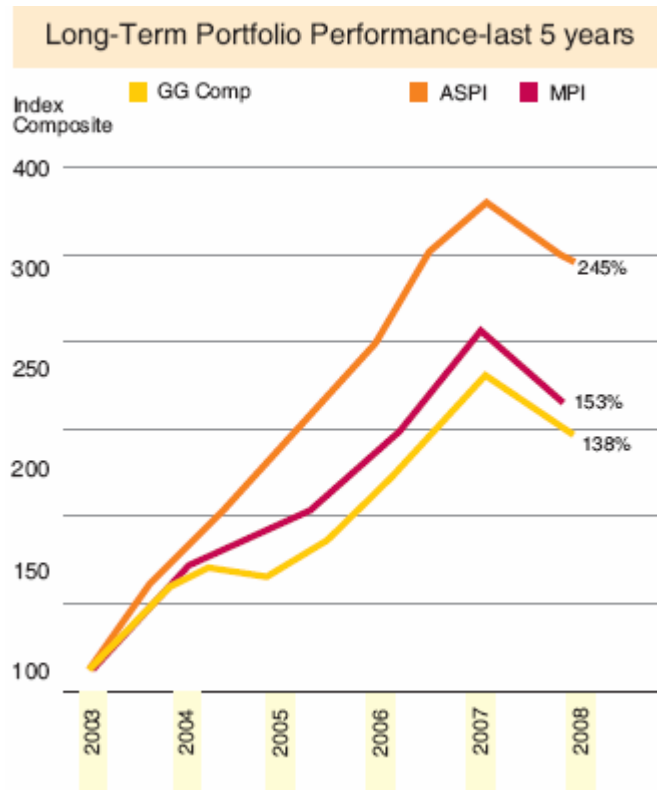
Top 10 Non-Carsons Group Holdings	Mkt Value Rs. mn	% stake of Co. held
John Keells Holdings	2,015	2.7
Ceylon Cold Stores	567	20.2
Distilleries Co. of Sri Lanka	443	1.5
Hayleys	394	5.4
Cargills (Ceylon)	224	2
Sri Lanka Telecom	214	0.3
Aitken Spence & Co.	199	1.7
Dialog	178	0.1
John Keells	149	10.9
Asian Hotels & Properties	88	1

Source: Ceylon Guardian Investment Trust

Sector Exposure

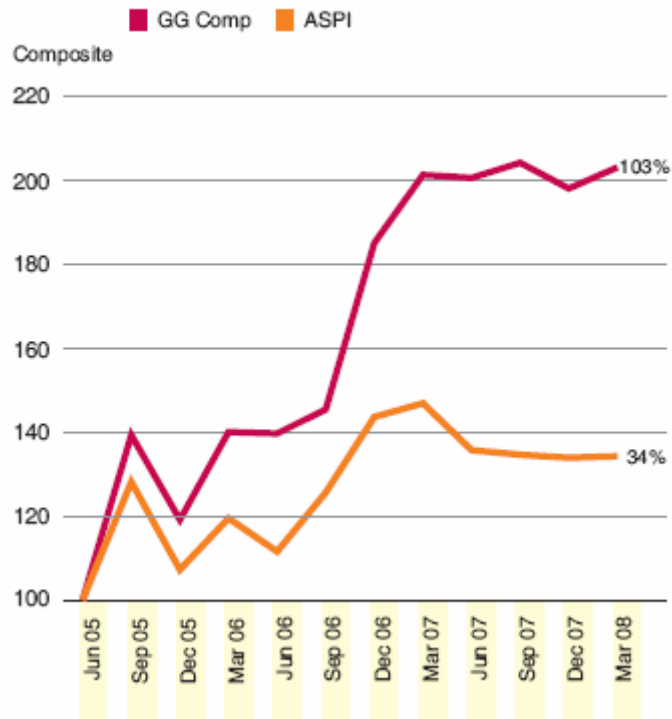


The Portfolio Performance Disclosed by the Company is detailed underneath.

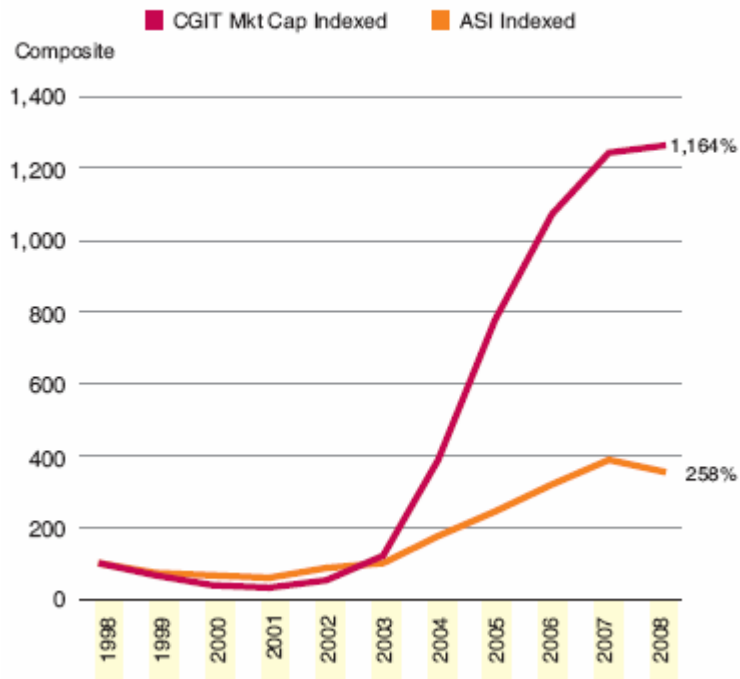


Source: Ceylon Guardian Investment Trust

Trading Portfolio Performance Since Inception



CGIT Market Cap Performance vs ASPI - 10 years



Source: Ceylon Guardian Investment Trust



Financial Review Year Ended March 2008.

For the financial year ended March 2008, Ceylon Guardian Investment Trust's Total Portfolio fell 7%YoY, from Rs.10.2 billion to Rs.9.4 billion, of which the Long Term Portfolio was Rs.5.2 billion and the Trading Portfolio was Rs.572 million. The Market Capitalisation was Rs.3.1 billion.

The "Guardian Fund" represents the total portfolio held by Ceylon Guardian Investment Trust PLC and its subsidiaries Ceylon Investment PLC and Rubber Investment Trust Limited. According to the company, the average annualized performance over the last five years was 50%. For the period under review, the level of activity of the short-term portfolio reduced whilst changes were made to the long term portfolio.

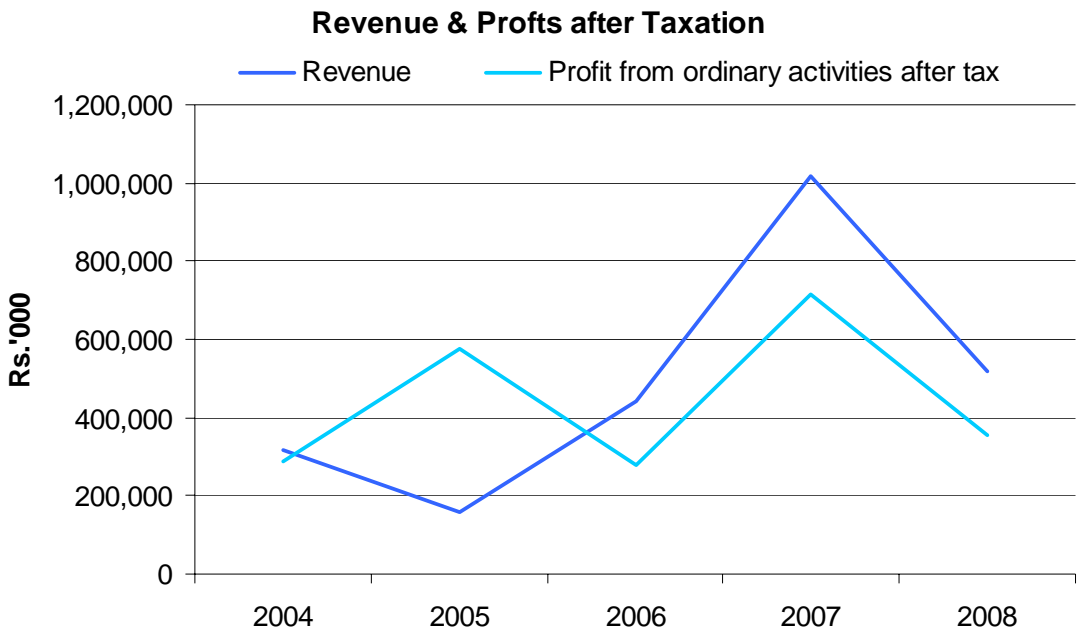
The group's revenue nearly halved to reach Rs.516 million. The profit for the year ended also halved to Rs.355 million from Rs.713 million recorded for the year ended March 2007. There were net capital gains worth Rs.55 million by the long and short term portfolios and the mark to market provision of a negative Rs.16.64 million on the short term portfolio. The company stated that the total unrealized gains on the short term portfolio from the date of commencement was Rs.57 million, indicating that on a net basis this activity remained profitable for the Group. CGIT at company level had turnover of Rs.163 million and a profit after tax of Rs.27 million, a decline from Rs.218 million witnessed for the previous financial year. The Company's portfolio was valued at Rs.3 billion.

Portfolio Changes

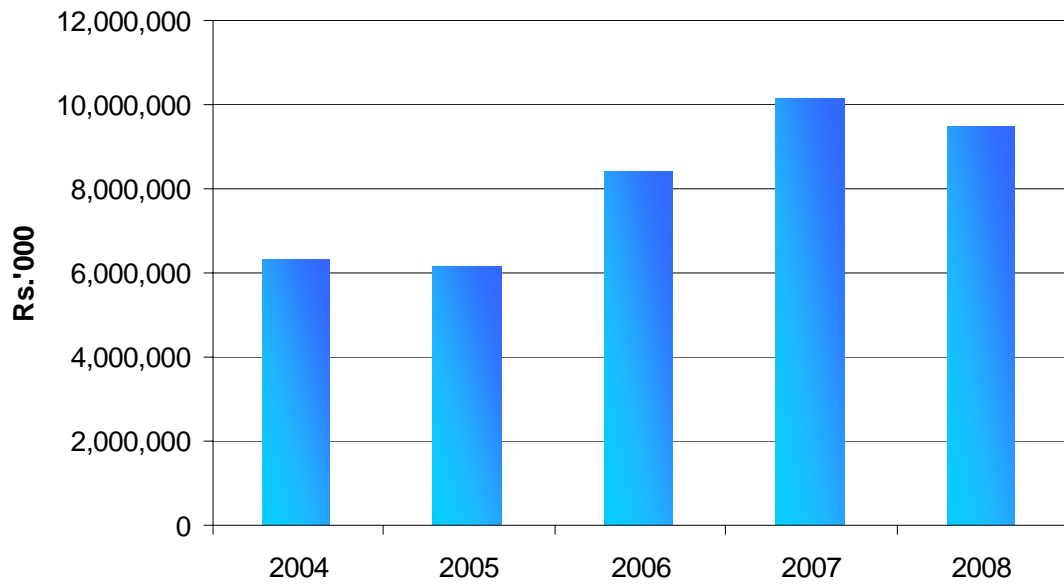
With a goal to gain exposure in high growth sectors, the Guardian Fund's acquisitions for the year were largely in the healthcare, retail, telecoms and F&B segments of the economy. Acquisitions worth Rs.208 million were made.

The company states that during the year under review, Guardian committed to invest up to 15% in Durdans Medical & Surgical Hospital Private Ltd, which is an investment of Rs.262.5 million. Guardian also gained a 2.4% stake in Ceylon Hospitals and a 2% stake in Cargills, whilst also focusing on the Telecom and Food & Beverages sectors. It would be advisable to note that 50% of the Guardian portfolio consists of stakes in its parent company's businesses.

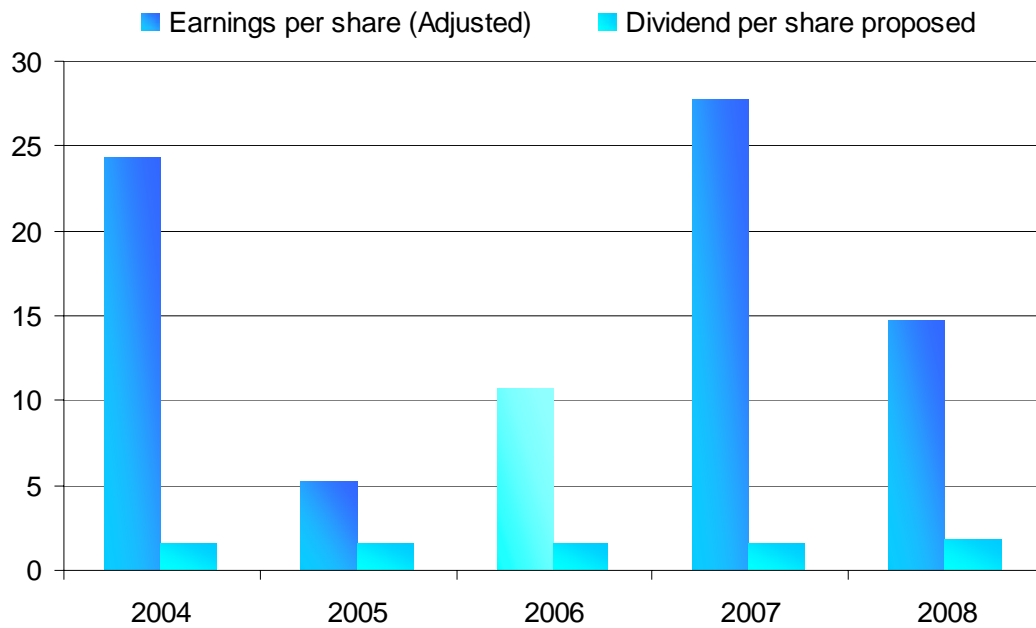
Additional Data



Market value of investments



Earnings & Dividends per Share (Rs.)



Source: Ceylon Guardian Investment Trust

Note: As at year ended 31st March

CAPITAL ALLIANCE**5th Floor, Millennium House, 46/58 Nawam Mawatha, Colombo 2, Sri Lanka****Tel: +94 11 231 7766, Fax: +94 11 231 7788, Email: general@capitalalliance.lk****For further information, please contact:****Saliya Gamagedera: +94 11 231 7760****Lakshan Algama Perera: +94 777 447 407****Harsha Gunawardena: +94 11 231 7716****K. H. R. Thilakarathna: +94 11 231 7752****Sudam Hasantha: +94 11 231 7755****Milanka Induruwage: +94 777 261 893****Sandeep Fernando: +94 11 231 7716****Husna Rafeek: +9411 231 7722****W. A. Susantha: +94 11 2317757****Dumindu Silva: +94 11 2317753****Milindu Arumawadu: +94 77 359 3044****Chanaka Sanoj: +94 11 231 7755****Lulith Karunaratne (Matara) : +94 41 439 0610****Inok Wijesuriya (Matara):+94 41 439 0610****B. Mugundan (Jaffna): +94 21 459 1111****T. Dananjaya(Negombo) : +94 31 222 7843**

The analyst responsible for producing the report does not work for Capital Alliance Securities (Private) Ltd. This report has been produced as part of an outsourced research relationship with a specialized research company engaged by Capital Alliance Securities (Private) Ltd. This document has been prepared and issued on the basis of publicly available information, internally developed data and other sources, believed to be reliable. Capital Alliance Securities (Private) Limited however does not warrant its completeness or accuracy. Opinions and estimates given constitute a judgment as of the date of the material and are subject to change without notice. This report is not intended as an offer or solicitation for the purchase or sale of any financial instrument. The recipient of this report must make their own independent decision regarding any securities, investments or financial instruments mentioned herein. Securities or financial instruments mentioned may not be suitable to all investors. Capital Alliance Securities (Private) Limited it's directors, officers, consultants, employees, outsourced research providers associates or business partner, will not be responsible, for any claims damages, compensation, suits, damages, loss, costs, charges, expenses, outgoing or payments including attorney's fees which recipients of the reports suffers or incurs directly or indirectly arising out actions taken as a result of this report. This report is for the use of the intended recipient only. Access, disclosure, copying, distribution or reliance on any of it by anyone else is prohibited and may be a criminal offence.