

Date: 5th August 2008

Equity Strategy Update.

As we become increasingly bullish, we believe defensive counters are less likely to outperform.

LLUB, CTC downgraded to HOLD, HAYL to SELL, and SAMP coverage initiated with a Buy.

Stock Recommendation Changes

We are downgrading our recommendations on LLUB and CTC from BUY to HOLD, our HOLD recommendation on HAYLEYS to SELL and initiating coverage of Sampath bank with a BUY recommendation.

These downgrades are partially the result of the price appreciation that has been seen in HAYL, LLUB and CTC. It also reflects the fact that we are increasingly bullish on the market and as such don't think classic defensive counters such as LLUB and CTC will be the out performers in the market rally we expect in coming months, though these counters would still give strong absolute returns.

June 19th Key Recommendations List

In terms of a stock buy list in our June 19th Strategy Report we said *"in our view, given the likely strength in the second half, and the possibility of peace at some point we feel now is a time investor should strongly consider raising exposure to specific corporate names we like. From our Core Coverage, we have issued positive recommendations on Hayleys, HNB Non Voting Shares, NDB, DFCC, CTC and Lanka IOC while another large cap stock we have do not have in coverage which we like is Hemas."*

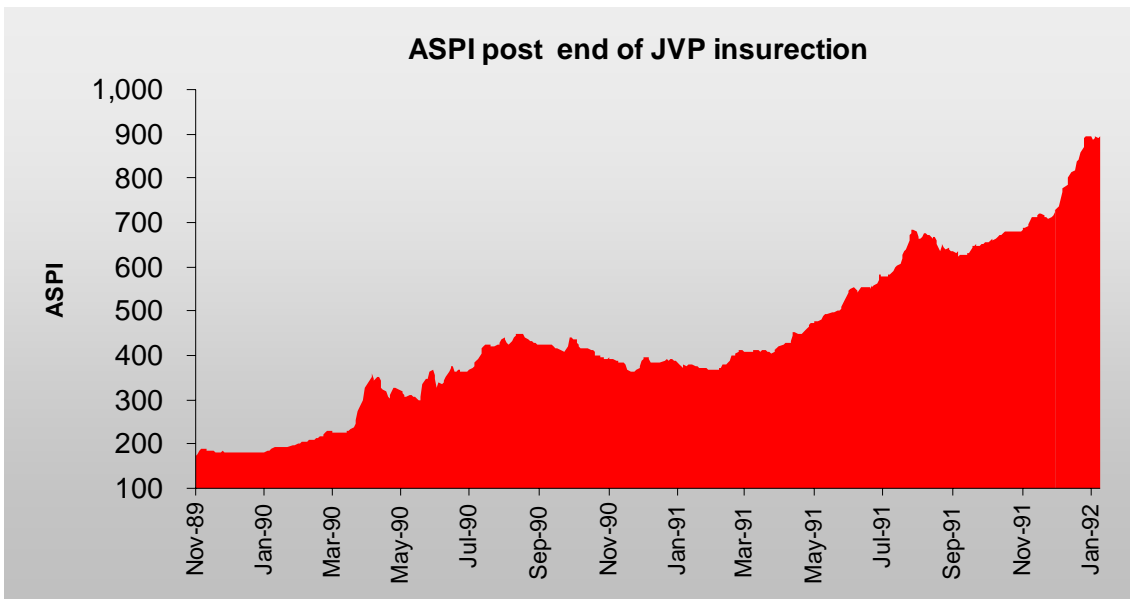
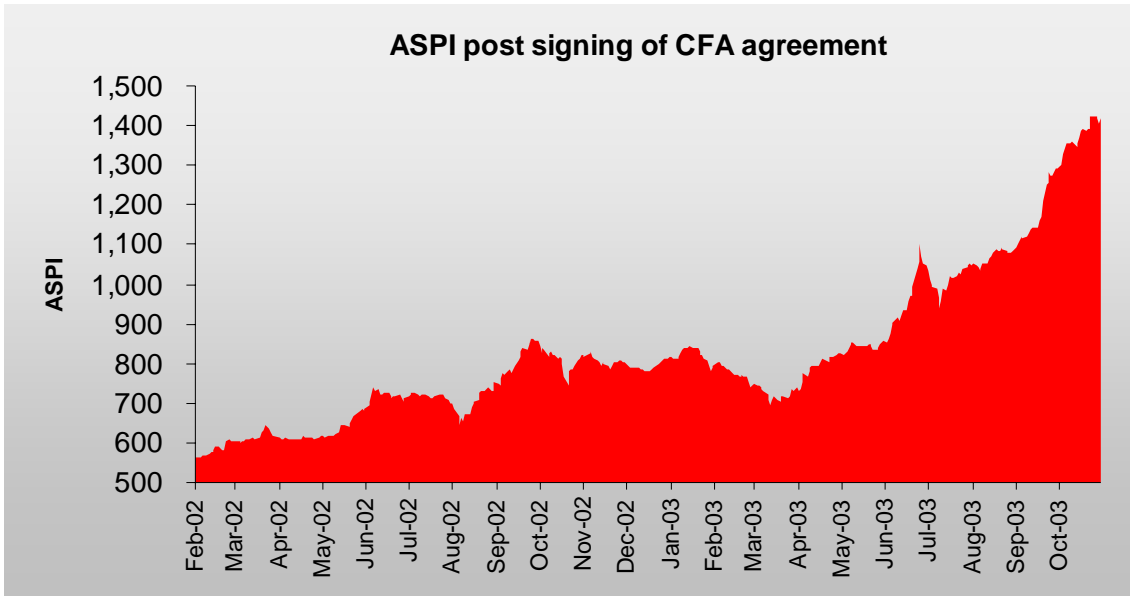
Performance since June 19th

	<i>June 19th</i>	<i>August 4th</i>	
	<i>Price</i>	<i>Price</i>	<i>Change</i>
HNB NV	48.25	49.25	2.1%
NDB	149	142	-4.7%
DFCC	111	116.25	4.7%
HAYLEYS	125	148	18.4%
LIOC	19.5	21	7.7%
Hemas	85.25	80.75	-5.3%
CTC	65	75.75	16.5%
Average of Key Recommendations			5.6%
ASPI	2433.1	2480.6	2.0%
MPI	2911.7	2969.5	2.0%

Current Key Recommendations List

With the price changes that have taken place since our June 19th report, for investors now looking to take exposure now for out performance in a market rally we would continue to favour NDB,HNB Non Voting, DFCC, Hemas and also now highlight the BUY recommendations on Richard Pieris and Sampath Bank which we brought into coverage after June 19th. We also have some smaller cap counters we like but given the liquidity constraints in the market, we have highlighted the stocks we believe that would outperform from the top 30 in terms of market cap.

<i>Current Key Recommendations</i>	<i>August 4th Price</i>
HNB NV	49.25
NDB	142
DFCC	116.25
Hemas	80.75
Richard Pieris	43.5
Sampath Bank	97
ASPI	2480.6
MPI	2969.5



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