



CAPITAL ALLIANCE GILT FUND

FUND MANAGERS REVIEW

30 SEPTEMBER 2023

FUND MANAGEMENT COMPANY

Capital Alliance Investments Limited,
Level 5, 'Millennium House',
46/58, Nawam Mawatha,
Colombo 02.

TRUSTEE & CUSTODIAN

Hatton National bank
Custody and Trustee Services
Level 15, No. 479,
T B Jayah Mawatha, Colombo 10, Sri Lanka.

Table of Contents

Report from the Investment Manager	02
Statement Of Profit Or Loss And Other Comprehensive Income	07
Statement of Financial Position	08
Statement of Movement in Unit Holders Fund	09
Statement of Cash Flows	10
Reconciliation between the NAV As Per FS and the Published NAV	11
Portfolio Statement	12
Corporate Information	13

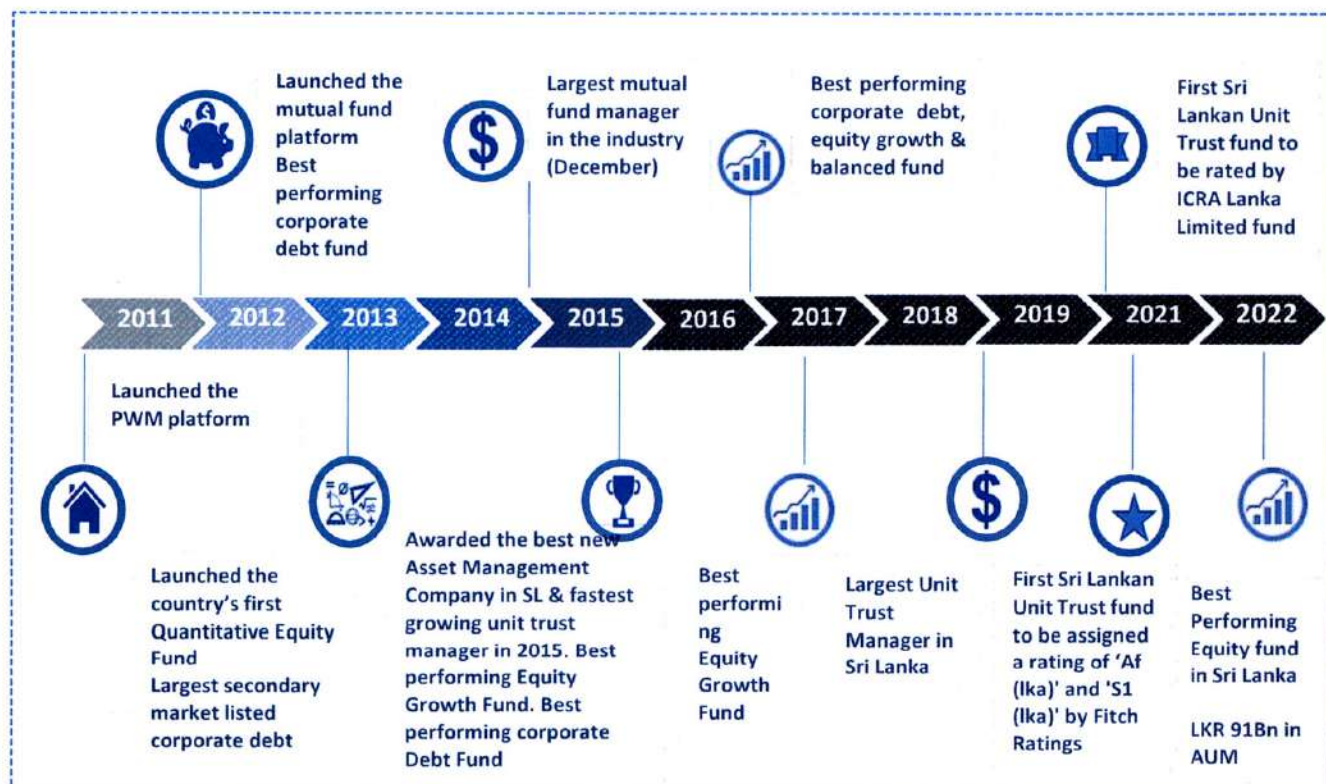
Capital Alliance Investments Limited

Capital Alliance Investments Ltd (CALI) has established itself as a leading wealth manager in Sri Lanka as evidenced by its Assets under Management of over LKR 65Bn (as at 30 Sept 2023), with Sri Lanka Insurance Corporation as our strategic Partner. CALI has been in the forefront of wealth management space and some of our milestones include:

- ✓ Largest Unit Trust Manager in Sri Lanka (as at March 2018)
- ✓ Launched Sri Lanka's first ever Quantitative Equity Fund
- ✓ CAL Investment Grade Fund was the first Sri Lankan Unit Trust fund to be rated by ICRA Lanka Limited (July 2019)
- ✓ CAL Investment Grade Fund was the first Sri Lankan Unit Trust fund to be assigned a rating of 'Af (Ika)' and 'S1 (Ika)' by Fitch Ratings (May 2021)

CAL's service offering is built on the pillars of best-in-class service and market outperformance. We are confident that our intimate knowledge of the Sri Lankan economy and our established networks within its capital markets will enable us to deliver attractive returns on your investment.

We specialize in originating, trading and investing: in fixed income and equity securities. Our focus on providing innovative solutions tailored to meet the needs of our customers has enabled us to build a reputation as "the Preferred Partner in Financial Markets".



Our strong fiduciary culture enables us to stay focused, first and foremost on our top priority, long-term investment performance. This core principle of our business, combined with advice-driven client coverage teams, has enabled us to build a leading client franchise that delivers superior investment strategies to our clients and strong financial performance to our shareholders.

CAL is a completely independent wealth management firm that works with a large network of Primary dealers, stockbrokers, Banks, registered Finance Companies and corporates to provide the best financial solutions to our clients. Our interests are aligned in every way, and as such, you can be assured of our complete and objective advice at all times.

Assets under Management- Unit Trust Industry (LKR Billion)

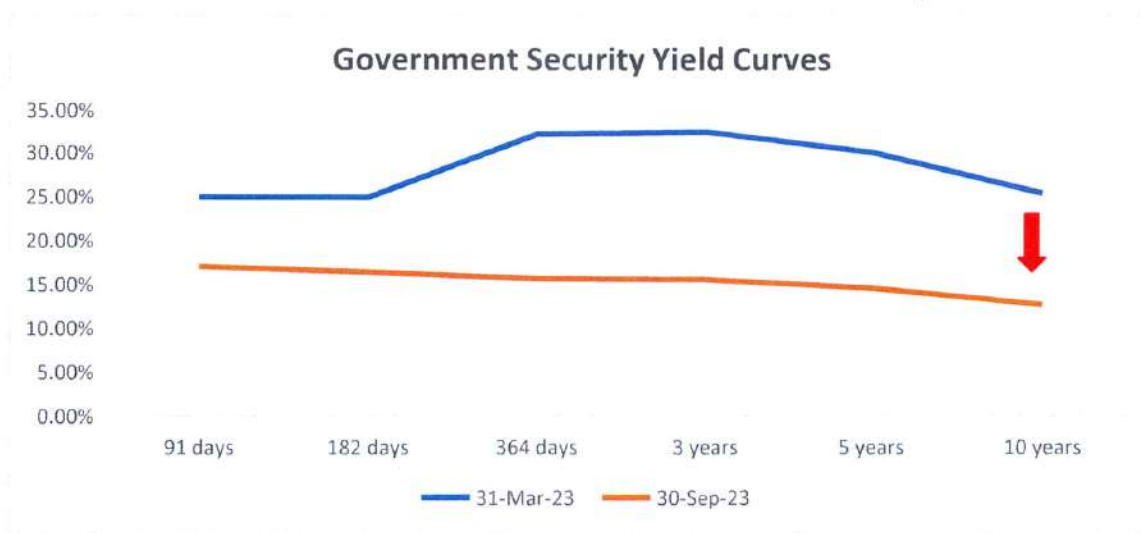


Source: utasl.lk

*As at 30 Sept 2023

Economic Review – September 2023

The period of six months ending 30 Sept 2023 has been one where Sri Lanka experienced the highest ever secondary market T-Bond interest rates, owing to the uncertainty looming around Treasury bonds due to a domestic debt restructure requirement of the International Monetary Fund. However, interest rates started diminishing towards the latter part; the end of an interest rate tightening cycle. The Monetary Policy Committee reduced the Monetary Policy Rate (MPR) by 300bps in June 2023, with a reduction of 200bps in the Statutory Reserve Ratio to 2.0% in the beginning of August 2023. By the end of the period 30 Sept 2023, SDFR & SLFR stood at 11.0% & 12.0%.



Private sector credit has regained positive momentum in June 2023 after a 12 -month of contraction (on a MoM basis). As interest rates ease, we believe this would spur credit expansion and drive economic growth, in the long term.

Gross official reserves increased up to USD 3.5Bn (as at 30 Sept 2023) from USD 2.1Bn at the start of the financial year. With an improved materialization of dollars into the country, there is potential for a positive trajectory toward economic stability.

The rupee started and ended at the same levels within the period ending six months 30 Sept 2023. There was a slight appreciation owing to a higher supply of dollars in to the country within this period due to a surplus in the Balance of Payments. A reduction of the trade deficit, increased foreign inflows, improved worker remittances, and a boost in tourism contributed to a current account and balance of payments surplus in the second half of 2023. Through this period, the LKR appreciated slightly and then depreciated back to the same levels at the start of the period owing to the higher demand for the rupee by the Central Bank of Sri Lanka, other Banks etc.

Over the six months ending September 2023, there was a decrease of LKR 164 billion in the Central Bank's holdings of Treasury Bills. During this period, inflation experienced a significant decline, mainly owing to the base effect. The year-on-year (YoY) figures for September 2021 indicate that the Headline Colombo Consumer Price Index (CCPI) stood at 1.30%, while the Headline National Consumer Price Index (NCPI) was at 0.8%.

As of the end of September 2023, Fitch Ratings upgraded Sri Lanka's Long-Term Local-Currency Issuer Default Rating (IDR) from 'RD' (Restricted Default) to 'CCC-', signaling a positive outlook for the country's economy.

With uncertainty growing day by day, CAL Investments took the stance to mainly invest funds in long term duration instruments to lock in higher interest rates, while maintaining a competitive return in the unit trust funds. Entities which were considered for such long-term investments have been thoroughly credit screened and invested at competitive market rate premiums.

CAL Investments Fund Management team

Fund Review

Fund Update

Yield*	18.6%
AUM - 30 September 2023**	LKR 2.80 Mn
Fund Currency	LKR
Inception Date	12-Aug -13

*Annualized Yield For the period, 01 April 2023 to 30 September 2023.

**Assets Under Management

Fund Overview

The CAL Gilt Fund is an open-ended fixed income fund that invests in Government securities and Repurchase Agreements on Government Securities. The Fund is suitable for investors looking for regular interest income, liquidity and a risk-free rate of yield.

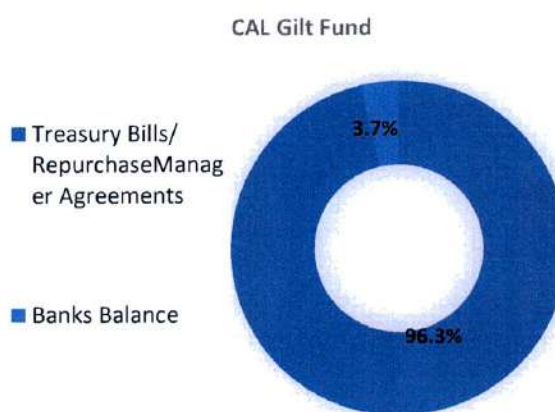
Fund Performance

The fund returned an annualized yield of 18.6% for the 6 months ended 30 September 2023. The fund was active from 02 April 2020 to 28 March 2021, after which it became dormant. During the period in which the fund was active (from 02 April 2020 to 28 March 2021), the fund returned an annualized yield of 9.2%.

CAL Gilt Fund Unit Price



Portfolio Asset Allocation



As at 30 September 2023

CAPITAL ALLIANCE GILT FUND
STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE SIX MONTHS PERIOD ENDED 30TH SEPTEMBER

	30.09.2023 Unaudited Rs.	30.09.2022 Unaudited Rs.
Interest Income - Reverse repurchase agreement	27,100	1,594
Interest Income- Treasury Bills	216,269	27,004
Interest Income from Savings Account	10,156	480
Total Income	253,525	29,078
Expenses		
Management fees	(7,145)	(446)
Trustee fees	(2,572)	(205)
Bank charges	(3,860)	(1,260)
Total operating expenses	(13,577)	(1,911)
Net operating profit	239,949	27,167
Profit before tax	239,949	27,167
Income tax expense	-	-
Profit after tax for the period	239,949	27,167
Other Comprehensive Income		
Fair Value gain/(loss) on Tbills	6,943	-
Total comprehensive income for the period	246,892	27,167
Increase in net assets attributable to unitholders	246,892	27,167

CAPITAL ALLIANCE GILT FUND
STATEMENT OF FINANCIAL POSITION
AS AT

	As at 30.09.2023 Unaudited Rs.	As at 31.03.2023 Audited Rs.
Assets		
Cash and cash equivalents	104,274	152,324
Investment in Reverse Repurchase Agreements	633,085	271,465
Investment in Treasury Bills	2,078,458	1,898,748
Money Market Interest Receivable	10	
Income tax recoverable	-	-
Total assets	2,815,827	2,322,537
Liabilities		
Fund management fee payable	(4,440)	(6,304)
Trustee fee payable	(1,328)	(2,900)
Total liabilities	(5,767)	(9,204)
Net assets	2,810,060	2,313,333
Unitholders' Fund		
Net assets attributable to Unitholders	2,810,060	2,313,333

Signed for and on behalf of the Management Company by;



Director

Capital Alliance Investments Limited
Management Company



Director

Capital Alliance Investments Limited
Management Company

Signed for and on behalf of the Trustee by;



Hatton National Bank PLC,
Trustee



Hatton National Bank PLC,
Trustee



CAPITAL ALLIANCE GILT FUND
STATEMENT OF MOVEMENT IN UNITHOLDERS' FUND
FOR THE SIX MONTHS PERIOD ENDED 30TH SEPTEMBER

	30.09.2023 Unaudited Rs.	30.09.2022 Unaudited Rs.
Unitholders' fund at the beginning of the period	2,313,333	4,273
Total comprehensive income for the period	246,892	27,167
Creation of Units	2,136,000	2,622,000
Redemption of Units	(1,886,164)	(552,469)
Net increase due to Unitholders' transactions	249,836	2,069,531
Unitholders' fund at the end of the period	<u><u>2,810,060</u></u>	<u><u>2,100,971</u></u>

CAPITAL ALLIANCE GILT FUND
STATEMENT OF CASH FLOWS
FOR THE SIX MONTHS PERIOD ENDED 30TH SEPTEMBER

	30.09.2023	30.09.2022
	Unaudited	Unaudited
	Rs.	Rs.
Cash flows from operating activities		
Interest and other income received	260,468	1,234
Net change in Money Market Interest Receivable	(10)	-
Management fees and trustee fees paid	(13,153)	-
Other expenses paid	(3,860)	(1,260)
Net cash generated from / (Used in) operating activities	243,445	(26)
Cash flows from investment activities		
Investment in Reverse Repurchase Agreements	(361,621)	(146,000)
Investment in Treasury Bill	(179,710)	(1,854,170)
Net cash (Used in) operating activities	(541,331)	(2,000,170)
Cash flows from financing activities		
Cash received on creation of units	2,136,000	2,622,000
Cash paid on redemption of units	(1,886,164)	(552,469)
Net cash generated from financing activities	249,836	2,069,531
Net Increase/ (Decrease) in cash and cash equivalents	(48,050)	69,335
Cash and cash equivalents at the beginning of the period	152,324	23,945
Cash and cash equivalents at the end of the period	104,274	93,280

CAPITAL ALLIANCE GILT FUND
RECONCILIATION BETWEEN THE NET ASSET VALUE AS PER FINANCIAL STATEMENTS
AND THE PUBLISHED NET ASSET VALUE

	As at 30.09.2023 Rs.	As at 31.03.2023 Rs.
Net asset value as per financial statements	2,810,060	2,313,333
Published net asset value	2,810,060	2,313,333
Number of Units outstanding	243,322	219,127
Published net asset value per Unit	11.5487	10.5571

CAPITAL ALLIANCE GILT FUND
PORTFOLIO STATEMENT
AS AT

	30.09.2023	31.03.2023	% of Deposited Property	
	Rs.	Rs.	Sep-23	Mar-23
<u>Assets</u>				
Cash and cash equivalents	104,274	152,324	3.71%	6.58%
Investment in Reverse Repurchase Agreement	633,085	271,465	22.53%	11.73%
Investment in TBill	2,078,458	1,898,748	73.96%	8207.85%
Money Market Interest Receivable	10	-	0.00%	0.00%
Total assets	2,815,828	2,322,537	100.21%	100.40%
<u>Liabilities</u>				
Accrued expenses	(5,767)	(9,204)	-0.21%	-0.40%
Total liabilities	(5,767)	(9,204)	-0.21%	-0.40%
Net assets	2,810,060	2,313,333	100.00%	100.00%

Note

The above figures are subject to audit. The same accounting policies as in the Audited Financial Statements for the year ended 31st March 23 have been followed in preparation of above financial statements.

Corporate Information

BOARD OF DIRECTORS

Mr. Ajith Fernando
Mrs. Sharmali Perera
Mr. Kanishke Mannakkara
Mr. Chaminda Gunasinghe

UNIT TRUST MANAGEMENT COMPANY

**Capital Alliance Investments
Limited**

Level 5, "Millennium House",
46 / 58 Nawam Mawatha,
Colombo 2

TRUSTEE & CUSTODIAN

Hatton National bank
Custody and Trustee Services
Level 15, No. 479,
T B Jayah Mawatha,
Colombo 10, Sri Lanka.

AUDITORS

**BDO Partners
Chartered Accountants**
"Charter House"

65/2, Sir Chittampalam A Gardiner
Mawatha,
Colombo 2

TAX CONSULTANTS

**Dinitway Partners
Chartered Accountants**

No.7 1/2, Devanampiyatissa
Mawatha
Colombo 10