



CAPITAL ALLIANCE BALANCED 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.

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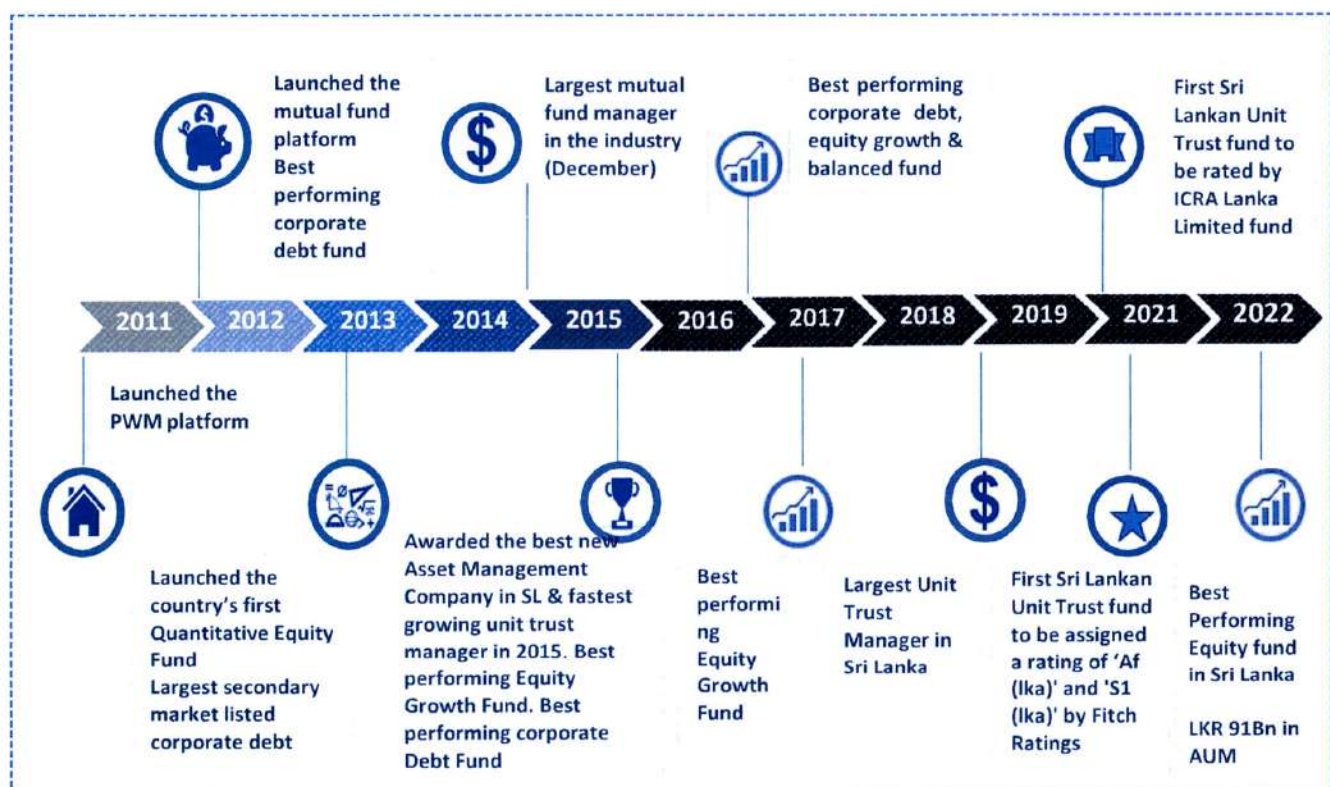
Capital Alliance Investments Limited

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)

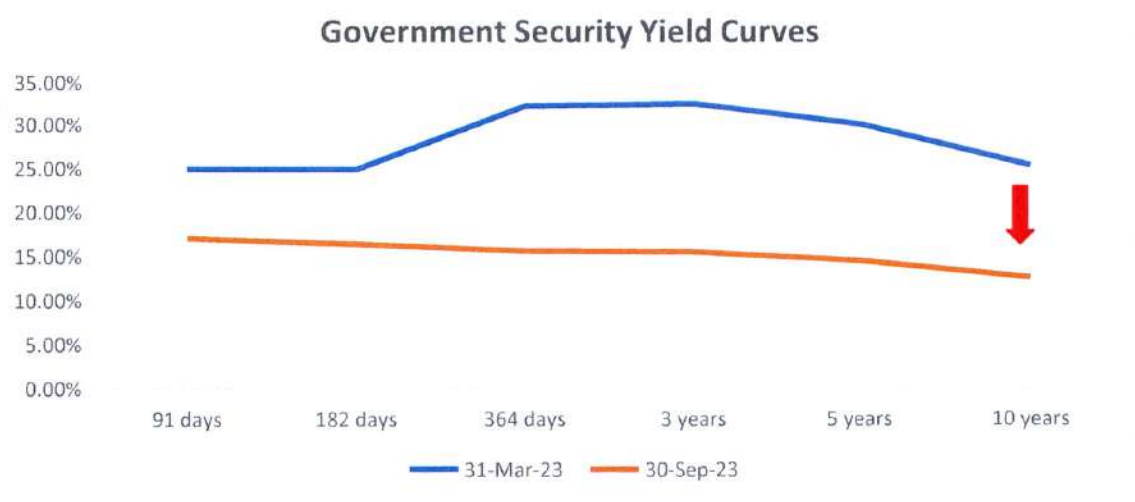


Source: utasl.lk

*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 Update

Yield*	49.6%
ASPI (31 December 2022 to 30 September 2023)	33.52%
S&P SL20 (31 December 2022 to 30 September 2023)	21.3%
AUM – 30 September 2023**	LKR 138 Mn
Fund Currency	LKR
Inception Date	30-Jan-15

*Year to date Yield For the period, 31 December 2022 to 30 September 2023. Yield Net of fees.

**Assets Under Management

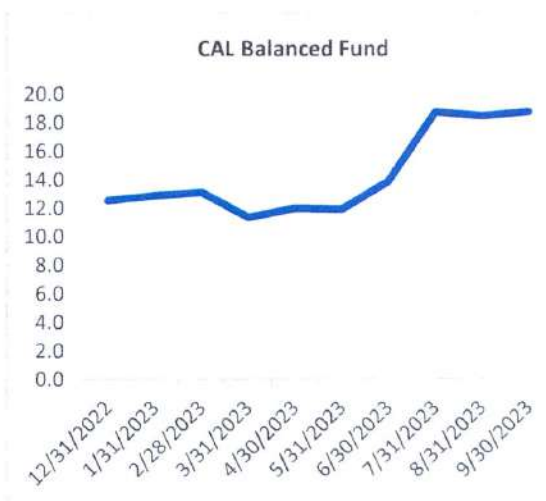
Fund Overview

The CAL Balanced Fund can invest in Shares which are listed on a licensed stock exchange, Corporate Debt instruments and Government Securities. The Fund is suitable for investors looking to optimize income and to maintain capital security and liquidity.

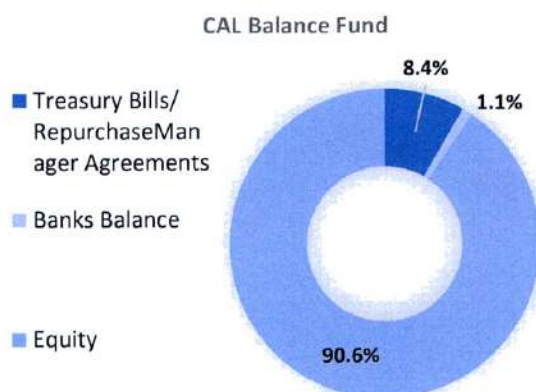
Fund Performance

The fund returned a Year-to-Date return of 49.6% (31 December 2022 to 30 September 2023) for the nine months ended September 2023 compared to the ASPI return of 33.52% & S&P SL20 return of 21.3%.

CAL Balanced Fund Unit Price



Portfolio Asset Allocation



As at 30 Sep 2023

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

	30.09.2023 Unaudited Rs.	30.09.2022 Unaudited Rs.
Interest Income - Repurchase agreements	864,194	1,594
Interest Income - Treasury bill	148,332	27,090
Interest Income - Savings account	111,949	392
Total Income	1,124,475	29,076
Net Realized Gain/ (Loss) on Financial Assets at Fair Value through Profit or Loss	1,587,178	-
Unrealized Gain/(Loss) on Financial Assets at Fair Value through Profit or Loss	41,069,482	-
Expenses		
Management fees expense	(420,156)	(677)
Trustee fees expense	(146,813)	(312)
Custodian fees expense	(89,964)	-
Bank charges	(79,681)	(1,200)
Outperformance fee	(3,003,096)	-
Brokerage fee	(685,539)	-
Other expenses	(10,576)	-
Total operating expenses	(4,435,825)	(2,189)
Profit before tax	39,345,310	26,887
Income tax expense	-	-
Profit for the period	39,345,310	26,887
Total comprehensive income	39,345,310	26,887
Increase in net assets attributable to unitholders	39,345,310	26,887

**CAPITAL ALLIANCE BALANCED 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	1,513,400	1,146,623
Financial Assets at Amortized Cost		
Investment in Reverse Repurchase Agreements	11,826,019	271,465
Investment in Treasury bills	-	1,898,749
Financial assets at Fair Value through Profit or Loss		
Investment in Shares	127,869,685	34,734,715
Other receivable	2,709	-
Total assets	141,211,813	38,051,552
Liabilities		
Management fees payable	(87,147)	(9,948)
Trustee fees payable	(26,725)	(4,576)
Custodian fees payable	(23,267)	-
Outperformance fee payable	(3,003,094)	-
payable on share settlements	-	(35,222,667)
Total liabilities	(3,140,233)	(35,237,191)
Net Assets	138,071,580	2,814,361
Unitholders' Fund		
Net assets attributable to Unitholders	138,071,580	2,814,361

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 BALANCED FUND
STATEMENT OF MOVEMENT IN UNITHOLDERS' FUND
FOR SIX MONTHS PERIOD ENDED 30th SEPTEMBER

	30.09.2023	30.09.2022
	Rs.	Rs.
Unitholders' fund at the beginning of the period	2,814,361	42,266
Total comprehensive Income for the period	39,345,310	26,887
Received on creation of Units	120,000,525	2,010,000
Paid on redemption of Units	(24,088,616)	(10,621)
Net increase due to Unitholders' transactions	95,911,910	1,999,379
Unitholders' fund at the end of the period	138,071,580	2,068,533

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

	30.09.2023 Unaudited Rs.	30.09.2022 Unaudited Rs.
Cash flows from operating activities		
Interest received	1,015,158	838
Other income received	109,239	392
Management, trustee and custodian fees paid	(534,318)	-
Share settlement payments	(35,222,667)	-
Other expenses (paid)/reverse	(775,798)	(1,200)
Net investment (In)/upliftment of reverse repurchase agreements	(11,530,878)	(146,000)
Net investment (In)/upliftment of Treasury Bills	1,872,441	(1,854,170)
Net Investment in shares	(50,478,310)	-
Net cash used in operating activities	(95,545,133)	(2,000,140)
 Cash flows from financing activities		
Cash received on creation of units	120,000,525	2,010,000
Cash paid on redemption of units	(24,088,616)	(10,621)
Net cash generated from financing activities	95,911,909	1,999,379
 Net increase/(decrease) in cash and cash equivalents	366,776	(761)
Cash and cash equivalents at the beginning of the period	1,146,623	43,701
Cash and cash equivalents at the end of the period	1,513,400	42,941

CAPITAL ALLIANCE BALANCED 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	138,071,580	2,814,361
Published net asset value	<u>138,071,580</u>	<u>2,814,361</u>
Number of Units outstanding	7,354,703.49	248,052.70
Published net asset value per unit	<u>18.7732</u>	<u>11.3458</u>

CAPITAL ALLIANCE BALANCED FUND
PORTFOLIO STATEMENT

	30.09.2023	31.03.2023	% of Deposited Property	
	Rs.	Rs.	Sep-23	Mar-23
Assets				
Cash and cash equivalents	1,513,400	1,146,623	1.10%	40.74%
Investment in Reverse Repurchase Agreements	11,826,019	271,465	8.57%	9.65%
Investment in Treasury bills	-	1,898,749	0.00%	67.47%
Investments in Shares	127,869,685	34,734,715	92.61%	1234.20%
Other receivable	2,709	-	0.00%	0.00%
Total assets	<u>141,211,813</u>	<u>38,051,552</u>	<u>102.27%</u>	<u>1352.05%</u>
Liabilities				
Management fees payable	(87,147)	(9,948)	-0.06%	0.35%
Trustee fees payable	(26,725)	(4,576)	-0.02%	0.16%
Custodian fees payable	(23,267)	-	-0.02%	0.00%
Outperformance fee payable	(3,003,094)	-	-2.18%	0.00%
Payable on share settlements	-	(35,222,667)	0.00%	1251.53%
Total liabilities	<u>(3,140,233)</u>	<u>(35,237,191)</u>	<u>-2.27%</u>	<u>1252.05%</u>
Net Assets	<u><u>138,071,580</u></u>	<u><u>2,814,361</u></u>	<u><u>100.00%</u></u>	<u><u>100.00%</u></u>

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