



CAPITAL ALLIANCE INVESTMENT GRADE 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

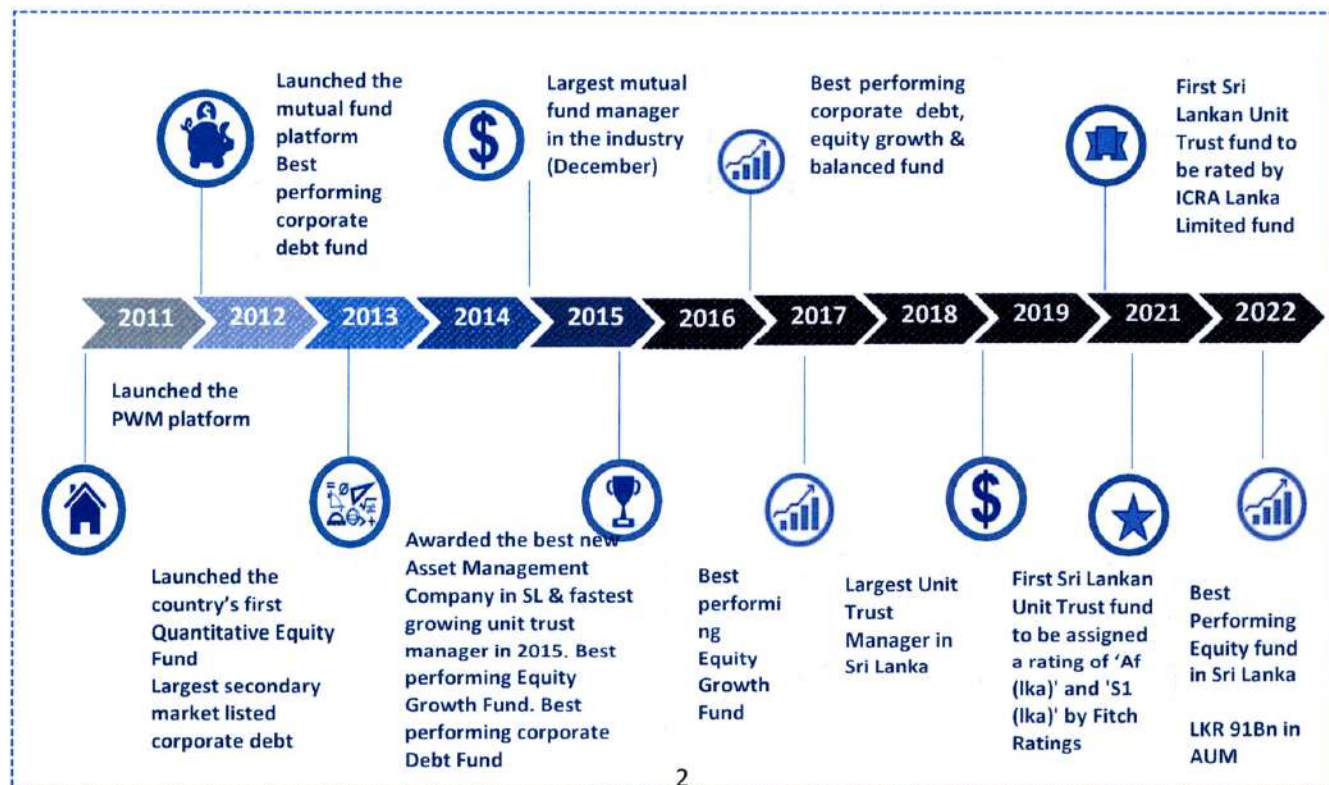
Capital Alliance Investments Limited

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 (lka)' and 'S1 (lka)' 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".

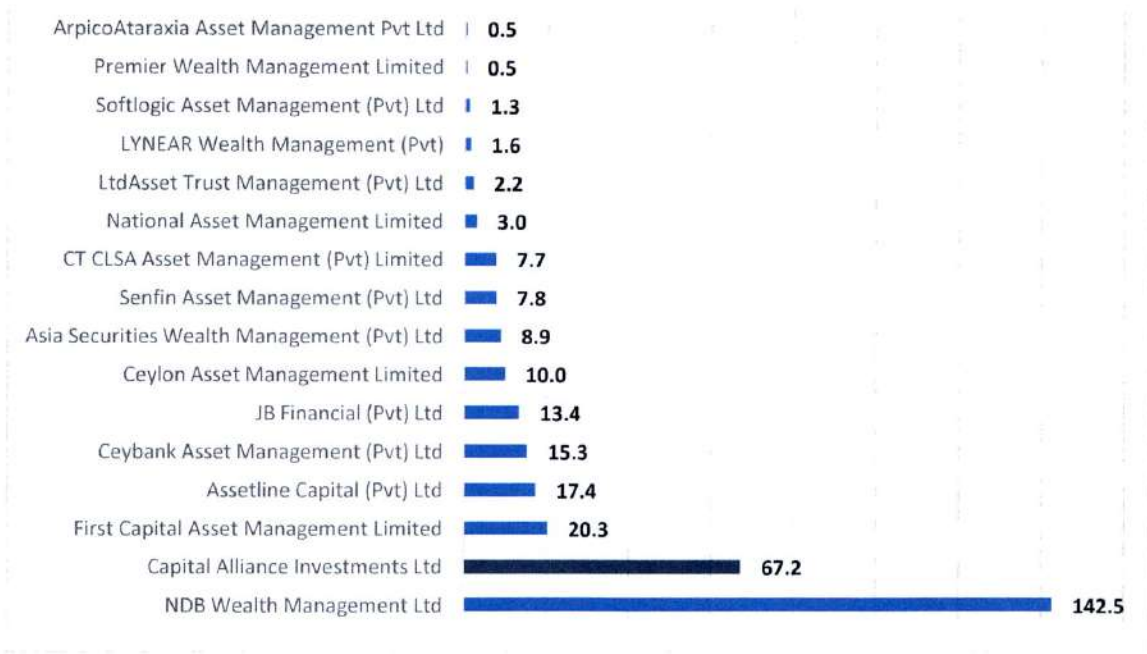


LKR 91Bn in AUM

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)

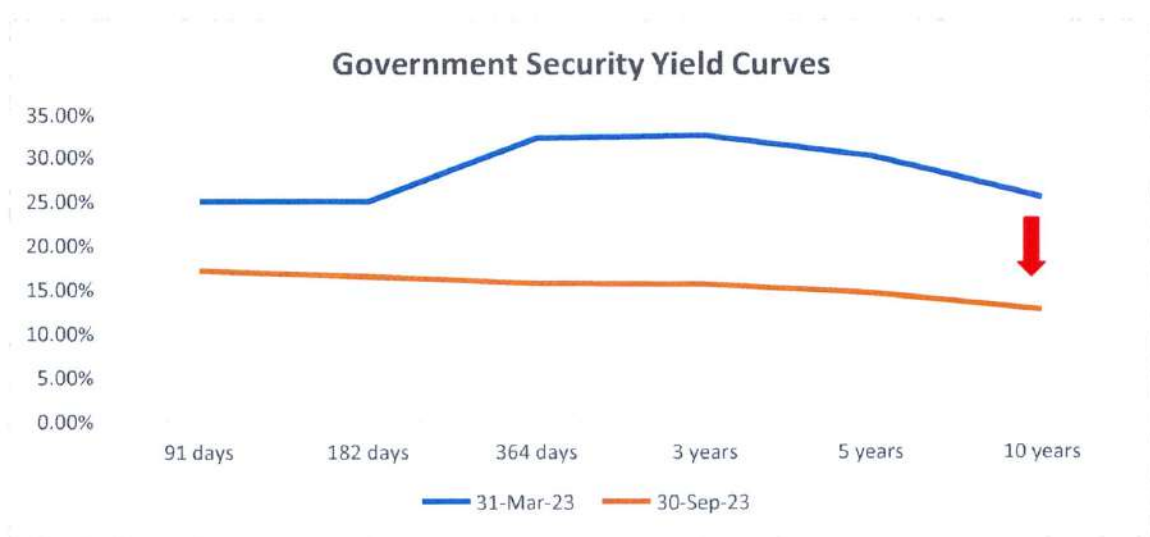


Source: utasl.lk

***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*	28.1%
AUM – 30 September 2023**	LKR 30.06 Bn
Fund Currency	LKR
Inception Date	30-Aug-13

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

**Assets Under Management

Fund Overview

The CAL Investment Grade Fund is an open-ended fixed income fund that invests in Government securities, Corporate Debt, Securitized papers, deposits issued by Investment grade rated issuers and Bank deposits by Investment grade rated issuers. All corporate debt invested by the Fund have a rating higher or equal to BBB-. The Fund is suitable for investors looking for regular interest income, liquidity and a competitive risk adjusted yield.

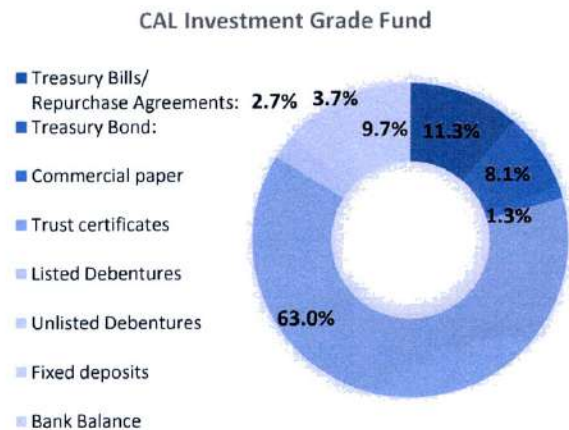
Fund Performance

The fund returned an annualized yield of 28.1% for the six months ended 30 September 2023.

CAL Investment Grade Fund Unit Price



Portfolio Asset Allocation



As at 30 September 2023

CAPITAL ALLIANCE INVESTMENT GRADE 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.
Income		
Interest - Reverse Repurchase Agreement	111,858,852	254,606,805
Interest - Treasury Bonds	196,130,458	15,733,501
Interest - Treasury Bills	17,774,900	-
Interest - Commercial Papers	7,963,029	455,958,595
Interest - Debentures	315,673,199	340,691,072
Interest - Trust Certificates	1,117,833,592	517,505,066
Interest - Fixed Deposits	328,854,756	532,539,718
Interest - Savings Account and Money Market	7,187,134	244,440
Gain on Treasury Bonds	410,564,202	650,616,570
Gain/(Loss) on Debentures	-	(7,816,614)
Loss on Treasury Bills	(3,257,500)	-
Total Income	2,510,582,622	2,760,079,152
Unrealised gain/ (Loss) on Financial Assets at Fair Value through Profit or Loss	22,577,478	-
Impairment (expense)/reversal	127,216,842	(25,843,335)
Expenses		
Management fees	(75,562,841)	(69,115,321)
Trustee fees	(15,987,309)	(20,869,615)
Custodian fees	(129,323)	(101,355)
Audit fees	(363,041)	(364,514)
Bank charges	(640,540)	(608,625)
Loan Interest expenses	(3,185)	(628)
Total operating expenses	(92,686,239)	(91,060,058)
Profit before tax	2,567,690,703	2,643,175,760
Income tax expense	-	-
Profit after tax for the period	2,567,690,703	2,643,175,760
Other comprehensive income	-	-
Total comprehensive income	2,567,690,703	2,643,175,760
Increase in net assets attributable to unitholders	2,567,690,703	2,643,175,760

CAPITAL ALLIANCE INVESTMENT GRADE 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	47,188,989	10,989,534
Financial assets at Fair Value through Profit or Loss		
Treasury Bonds	2,423,079,055	6,427,795,500
Financial assets at amortised cost		
Investment in Reverse Repurchase Agreements	3,358,400,016	892,714,496
Investment In Fixed deposits	2,897,004,879	2,568,150,123
Investment in Trust Certificates	18,817,459,941	2,205,069,005
Investment in - Debentures	1,907,695,354	3,161,894,355
Investment In Commercial Papers	397,009,743	-
Less - Impairment for Financial assets at amortized cost	(216,127,469)	(343,344,312)
Other receivables	271,866,866	235,493,866
Total assets	29,903,577,374	15,158,762,567
Liabilities		
Management Fee Payable	(17,052,048)	(9,865,153)
Trustee fee payable	(3,399,042)	(2,420,251)
Custodian Fees payable	(23,267)	(18,031)
Audit Fees payable	(519,543)	(649,809)
Consultancy Fee Payable	(11,794)	(8,822)
Fund Received for unit creation	(29,390,170)	(1,000,000)
Other payable	(5,833,272)	(4,448,289)
Total liabilities	(56,229,136)	(18,410,355)
Net assets	29,847,348,237	15,140,352,212
Unitholders' fund		
Net assets attributable to Unitholders	29,847,348,237	15,140,352,212

Signed for and on behalf of the Managing 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 INVESTMENT GRADE FUND
STATEMENT OF MOVEMENT IN UNITHOLDERS' FUND
FOR THE SIX MONTHS PERIOD ENDED**

	30.09.2023 Unaudited Rs.	30.09.2022 Unaudited Rs.
Unit holders' fund at the beginning of the period	15,140,352,212	27,683,088,941
Total comprehensive income for the period	2,567,690,703	2,643,175,760
Received on creation of units	51,772,313,997	40,609,228,140
Paid on redemption of units	(39,633,008,675)	(56,583,097,536)
Net increase/ (decrease) due to unit holders' transactions	12,139,305,322	(15,973,869,395)
Unit holders' fund at the end of the period	29,847,348,237	14,352,395,306

CAPITAL ALLIANCE INVESTMENT GRADE 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 (used in)/from operating activities		
Interest received	2,144,731,491	2,499,458,220
Other income received	413,986,790	650,616,570
Operating expenses paid	(84,642,610)	(110,216,474)
Net investment (in)/upliftment of Repurchase agreements	(2,460,407,000)	450,099,999
Net investment (in)/upliftment of Fixed deposits	(5,589,644)	10,332,313,457
Net investment (in)/upliftment of Debentures	1,020,000,000	524,899,999
Net investment (in)/upliftment of Commercial papers	(392,322,829)	4,527,013,467
Net investment (in)/upliftment of Trust certificates	(16,379,450,571)	(2,264,733,378)
Net investment (in)/upliftment of Treasury Bills	-	(555,179,000)
Net investment (in)/upliftment of Treasury Bonds	3,646,679,306	-
Net movement in other receivables and payables	(6,090,801)	(116,254,303)
Net cash generated from/ (used in) investing activities	(12,103,105,867)	15,938,018,557
Cash flows from/(used in) financing activities		
Cash received on creation of units	51,772,313,997	40,609,228,140
Cash paid on redemption of units	(39,633,008,675)	(56,583,097,536)
Net cash generated from/(used in) in financing activities	12,139,305,322	(15,973,869,395)
Net increase/ (decrease) in cash and cash equivalents	36,199,455	(35,850,838)
Cash and cash equivalents at the beginning of the period	10,989,534	65,700,323
Cash and cash equivalents at the end of the period	47,188,989	29,849,485

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

	As at 30.09.2023 Unaudited Rs.	As at 31.03.2023 Audited Rs.
Net asset value as per financial statements	29,847,348,237	15,140,352,212
Impairment provision	216,127,469	343,344,312
Published net asset value	30,063,475,706	15,483,696,524
Number of units outstanding	985,346,922.03	579,342,678.37
Published net asset value per unit	30.5105	26.7263

**CAPITAL ALLIANCE INVESTMENT GRADE FUND
PORTFOLIO STATEMENT**

	As at 30.09.2023	As at 31.03.2023	% of Deposited Property	
	Rs.	Rs.	Sep-23	Mar-23
Assets				
Cash and cash equivalents	47,188,989	10,989,534	0.16%	0.07%
Financial assets at Fair Value through Profit or Loss		-		
Treasury Bonds	2,423,079,055	6,427,795,500	8.12%	42.45%
Financial assets at amortised cost		-		
Investment in Reverse Repurchase Agreements	3,358,400,016	892,714,496	11.25%	5.90%
Investment In Fixed deposits	2,897,004,879	2,568,150,123	9.71%	16.96%
Investment in Trust Certificates	18,817,459,941	2,205,069,005	63.05%	14.56%
Investment in - Debentures	1,907,695,354	3,161,894,355	6.39%	20.88%
Investment In Commercial Papers	397,009,743	-	1.33%	0.00%
Less - Impairment for Financial assets at amortized cost	(216,127,469)	(343,344,312)	-0.72%	-2.27%
Other receivables	271,866,866	235,493,866	0.91%	1.56%
Total assets	29,903,577,374	15,158,762,567	100.19%	100.12%
Liabilities				
Management Fee Payable	(17,052,048)	(9,865,153)	-0.06%	-0.07%
Trustee fee payable	(3,399,042)	(2,420,251)	-0.01%	-0.02%
Custodian Fees payable	(23,267)	(18,031)	0.00%	0.00%
Audit Fees payable	(519,543)	(649,809)	0.00%	0.00%
Consultancy Fee Payable	(11,794)	(8,822)	0.00%	0.00%
Fund Received for unit creation	(29,390,170)	(1,000,000)	-0.10%	-0.01%
Other payable	(5,833,272)	(4,448,289)	-0.02%	-0.03%
Total liabilities	(56,229,136)	(18,410,355)	-0.19%	-0.12%
Net Assets	29,847,348,237	15,140,352,212	100.00%	100.00%

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