



CAPITAL ALLIANCE HIGH YIELD 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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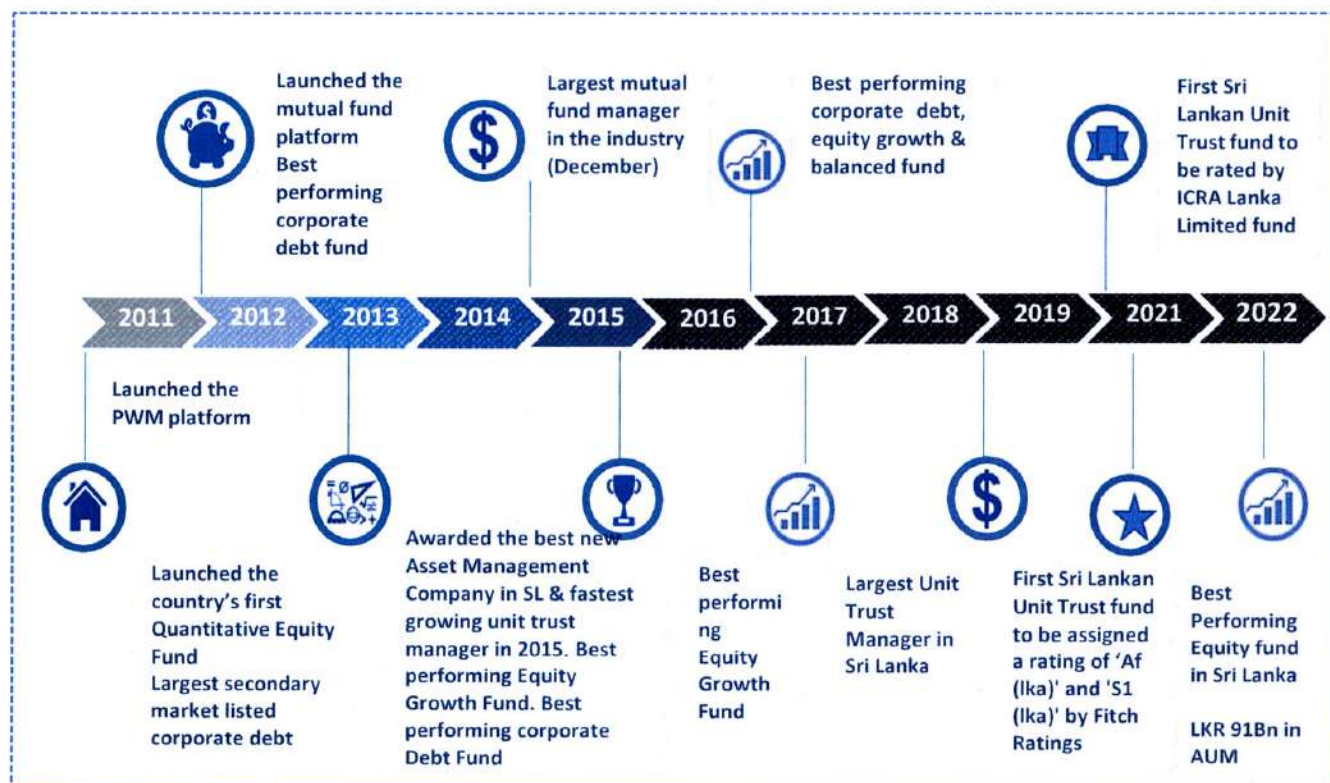
Capital Alliance Investments Limited

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 (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.

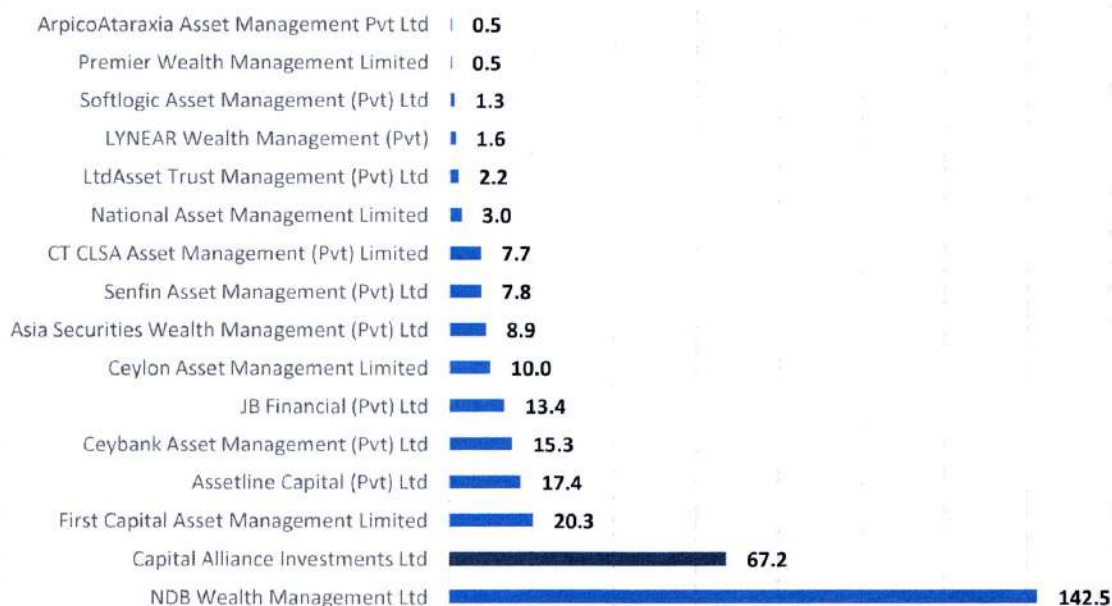
We specialize in originating, trading and investing: in fixed income and equity securities. Our focus on providing innovative solutions tailored to meet the needs of our customers has enabled us to build a reputation as "the Preferred Partner in Financial Markets".



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)

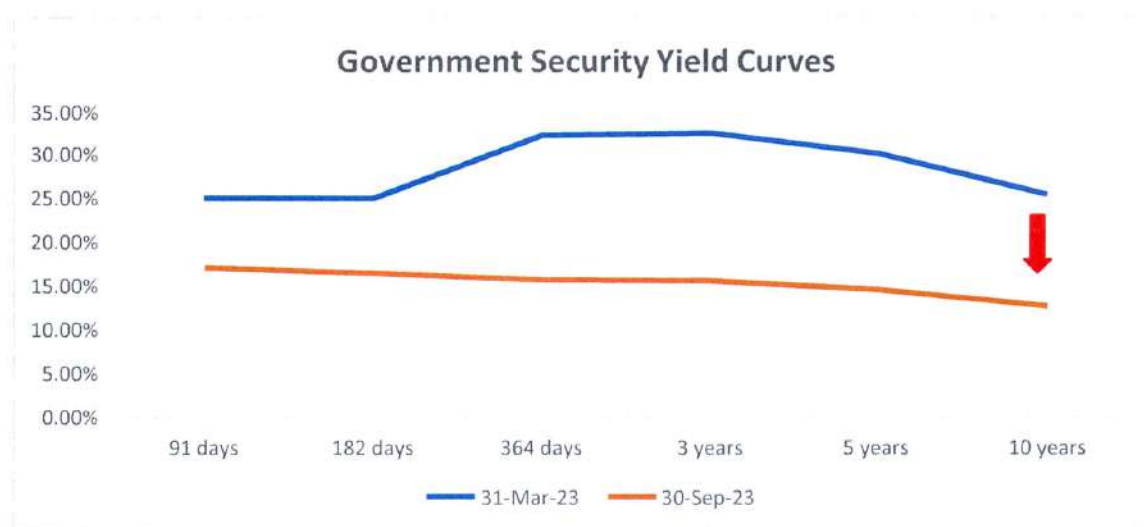


Source: utasl.lk

*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*	20.5%
AUM - 30 September 2023**	LKR 165.99Mn
Fund Currency	LKR
Inception Date	11-May-12

*Annualized Yield For the period, 1 April 2023 to 30 September 2023. Yield Net of fees.

**Assets Under Management

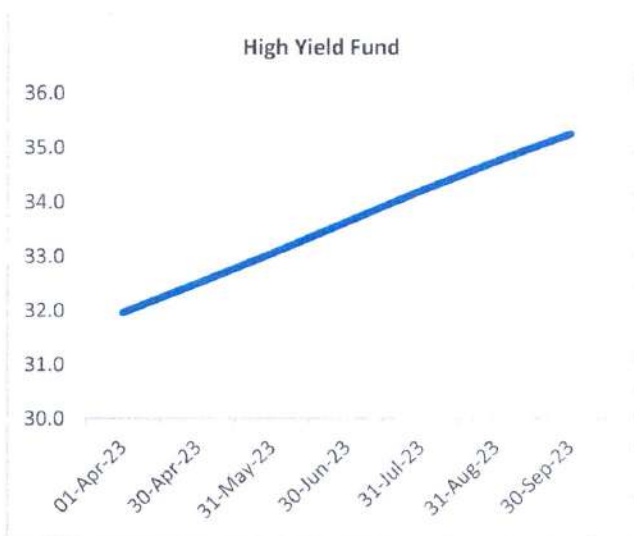
Fund Overview

The CAL High Yield Fund is an open-ended fixed income fund that invests in Government securities, Corporate Debt, Securitized papers, deposits issued by Finance companies and Banks. The Fund is suitable for investors looking for regular interest income, liquidity and a competitive risk adjusted yield.

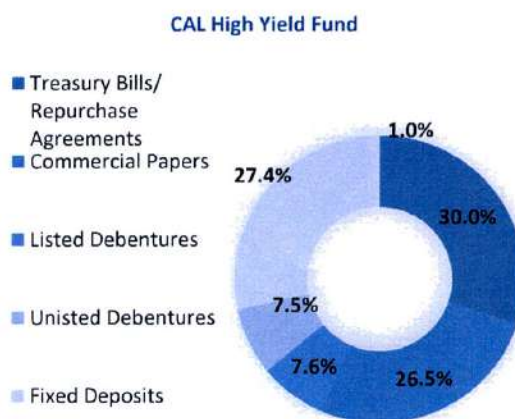
Fund Performance

The fund returned an annualized yield of 20.5% for the for the 6 months ended September 2023.

CAL High Yield Fund Unit Price



Portfolio Asset Allocation



As at 30 September 2023

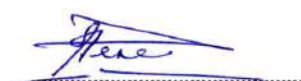
CAPITAL ALLIANCE HIGH YIELD FUND
STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE SIX MONTHS PERIOD ENDED 30TH SEPTEMBER

	30.09.2023	30.09.2022
	Unaudited	Unaudited
	Rs.	Rs.
Interest on Treasury bills/Bonds repurchase agreements	4,278,550	4,878,869
Interest on Commercial papers	8,317,384	9,854,083
Interest on Fixed deposits	5,629,947	-
Interest on Debentures	1,240,194	1,824,729
Interest on Trust certificates	-	1,466,806
Interest on Treasury bills	267,135	-
Interest on Savings deposits and Money market	62,242	1,832
Total investment income	19,795,452	18,026,319
Unrealised Gain/ (Loss) on Financial asset at Fair Value through Profit or Loss	21,345	-
(Charge)/reversal of impairment	658,480	(1,796,925)
Expenses		
Management fees	(703,209)	(777,564)
Trustee fees	(152,272)	(183,991)
Custodian fees	(141,926)	(133,756)
Audit fees	(5,267)	(5,759)
Bank charges	(85,276)	(81,111)
Total operating expenses	(1,087,949)	(1,182,181)
Profit before tax	19,387,327	15,047,213
Income tax expenses	-	-
Profit for the period	19,387,327	15,047,213
Other comprehensive income	-	-
Total comprehensive income	19,387,327	15,047,213
Increase in net assets attributable to unitholders	19,387,327	15,047,213

CAPITAL ALLIANCE HIGH YIELD 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	1,778,913	1,811,577
Financial asset at Fair Value through Profit or Loss - Investments in Treasury Bills	14,694,525	-
Financial assets at amortized cost - Investment in Reverse Repurchase Agreements	39,870,060	8,767,852
Financial assets at amortized cost - Investment in Commercial Paper	48,131,073	99,800,090
Financial assets at amortized cost - Investment in Debentures	27,420,968	38,442,441
Financial assets at amortized cost - Fixed Deposits	49,808,706	44,310,011
Less - Provision For Impairment	(13,291,949)	(13,950,429)
Other receivable	906,407	692,832
Total assets	169,318,703	179,874,374
Liabilities		
Management Fees payable	(107,623)	(114,671)
Trustee Fees payable	(21,453)	(28,133)
Custodian Fees payable	(23,267)	(24,042)
Audit Fees payable	(6,461)	(7,088)
Consultancy Fee Payable	(72,575)	(55,028)
Total liabilities	(231,379)	(228,962)
Net assets	169,087,324	179,645,412
Unitholders' Fund		
Net assets attributable to unitholders	169,087,324	179,645,412

Signed for and on behalf of the Management Company by;

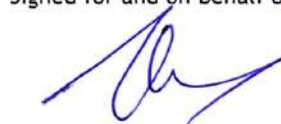


Director
Capital Alliance Investments Limited
Management Company



Director
Capital Alliance Investments Limited
Management Company

Signed for and on behalf of the Trustee by;



Hatton National Bank PLC
Trustee



CAPITAL ALLIANCE HIGH YIELD FUND
STATEMENT OF MOVEMENT IN UNIT HOLDERS' FUND
FOR THE SIX MONTHS PERIOD ENDED 30TH SEPTEMBER

	30.09.2023 Unaudited Rs.	30.09.2022 Unaudited Rs.
Unitholders' funds at the beginning of the period	179,645,412	263,277,726
Total comprehensive income for the period	19,387,327	15,047,213
Received on creation of Units	116,476,526	148,515,378
Paid on redemption of Units	(146,421,941)	(213,801,874)
Net decrease due to Unitholders' transactions	(29,945,415)	(65,286,495)
Unitholders' funds at the end of the period	169,087,324	213,038,444

CAPITAL ALLIANCE HIGH YIELD 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 received	15,545,590	17,487,479
Net movement in investments	15,666,265	80,161,046
Operating expenses paid	(1,085,528)	(2,224,507)
Net Movement in other receivable	(213,575)	-
Net cash flows generated from operating activities	29,912,751	95,424,018
Cash flows from Investing activities		
Payable on Unit Creation	-	2,180,039
Net cash flows generated from Investing activities	-	2,180,039
Cash flows used in financing activities		
Cash received on creation of Units	116,476,526	148,515,378
Cash Paid on redemption of Units	(146,421,941)	(245,638,367)
Net cash flows used in financing activities	(29,945,415)	(97,122,988)
Net increase/ (decrease) in cash and cash equivalents	(32,664)	481,067
Cash and cash equivalents at the beginning of the period	1,811,577	194,388
Cash and cash equivalents at the end of the period	1,778,913	675,454

CAPITAL ALLIANCE HIGH YIELD 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	169,087,324	179,645,412
(Additional)/ Reversal of impairment provision	(3,097,285)	(1,707,911)
Published net asset value	<u>165,990,039</u>	<u>177,937,501</u>
Number of units outstanding	4,710,528.32	5,572,050.54
Published net asset value per Unit	<u>35.2381</u>	<u>31.9339</u>

CAPITAL ALLIANCE HIGH YIELD FUND
PORTFOLIO STATEMENT

	30.09.2023	31.03.2023	% of Deposited Property	
	Rs.	Rs.	Sep-23	Mar-23
Assets				
Cash and cash equivalents	1,778,913	1,811,577	1.05%	1.01%
Financial asset at Fair Value through Profit or Loss - Investments in Treasury Bills	14,694,525	-	8.69%	0.00%
Financial assets at amortized cost - Investment in Reverse Repurchase Agreements	39,870,060	8,767,852	23.58%	4.88%
Financial assets at amortized cost - Investment in Commercial Paper	48,131,073	99,800,090	28.47%	55.55%
Financial assets at amortized cost - Investment in Debentures	27,420,968	38,442,441	16.22%	21.40%
Financial assets at amortized cost - Fixed Deposits	49,808,706	44,310,011	29.46%	24.67%
Less - Provision For Impairment	(13,291,949)	(13,950,429)	-7.86%	-7.77%
Other receivable	906,407	692,832	0.54%	0.39%
Total assets	169,318,703	179,874,374	100.14%	100.13%
Liabilities				
Management Fees payable	(107,623)	(114,671)	-0.06%	-0.06%
Trustee Fees payable	(21,453)	(28,133)	-0.01%	-0.02%
Custodian Fees payable	(23,267)	(24,042)	-0.01%	-0.01%
Audit Fees payable	(6,461)	(7,088)	0.00%	0.00%
Consultancy Fee Payable	(72,575)	(55,028)	-0.04%	-0.03%
Total liabilities	(231,379)	(228,962)	-0.14%	-0.13%
Net Assets	169,087,324	179,645,412	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 2023 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