



# Capital Alliance Gilt Fund

Fund Manager's Review  
30 September 2019

**Trustee & Custodian**

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Deutsche Bank AG  
86, Galle Road, Colombo 3





# **Capital Alliance Gilt Fund**

**Interim Financial Statements For The Six Months Ended 30 September 2019**

## **Table of Contents**

Report from the Investment Manager	03
Statement of Comprehensive Income	08
Statement of Financial Position	09
Statement of Movement in Unit Holders Fund	10
Investment Portfolio	11
Corporate Directory	12

# Economic Outlook

## Overview of the period

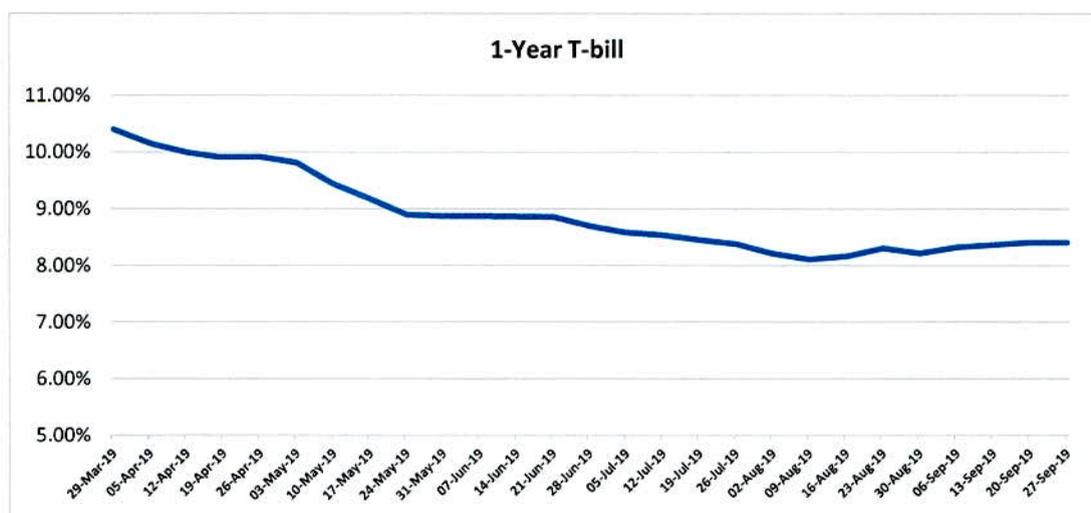
The Financial year of 2019/2020 started off with much hope for the year to come, but on the 21<sup>st</sup> of April 2019, Easter Sunday, tragedy wiped across the country while three churches were bombed killing approx. 259 people. While many expected tourism to rebound only after a year or so, it was quite the shock to see the number of tourists recovering by July 2019, minimizing the negative impact to the economy that would have been, if tourists put Sri Lanka in the No travel zone.

On 01 July 2019, Sri Lanka was promoted as an upper middle-income earning country from being a lower middle-income earning country according to the updated classification of the World Bank due to the increase in Gross National Income.

It was announced that the presidential election would take place in mid-November, and as of since, there has been uncertainty looming in the country, almost halting the private sector credit growth in the country.

## Interest Rates

Rates were on the downfall within the first half of FY 19/20. The 1-year T-bill fell by 199 bps from 10.40% as at the beginning of April 2019 to 8.41% by the end of September 2019.



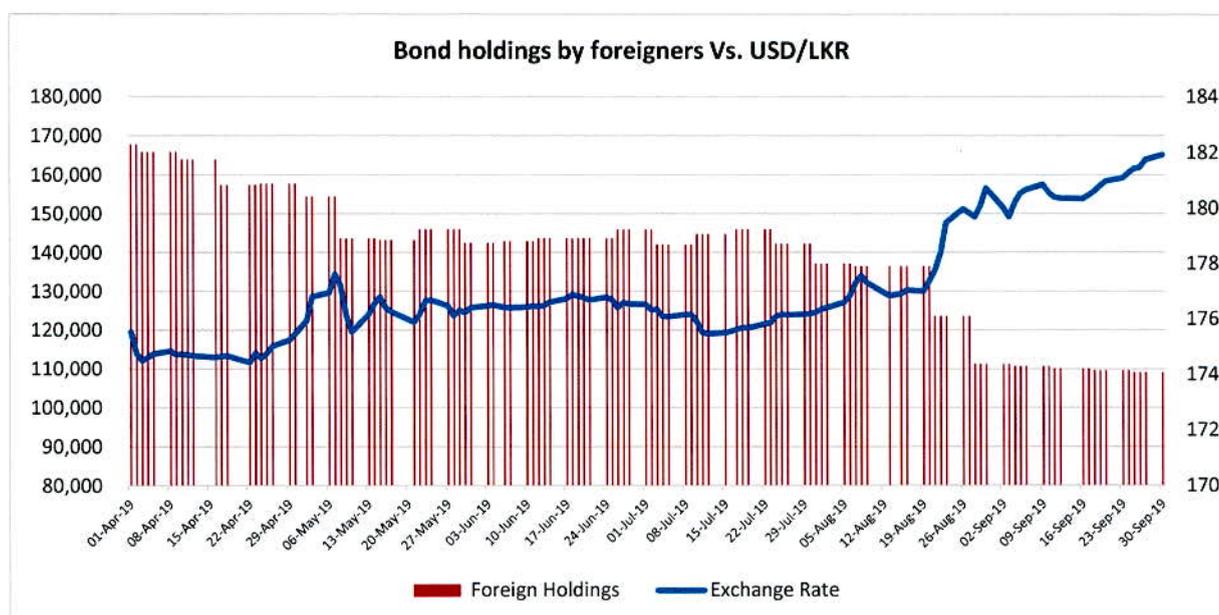
At the latter end of April 2019, Banks and Finance Companies Fixed Deposit ceiling was reduced drastically. The 1-year Bank FD ceiling was reduced to 11.54%, while the 1-year Finance company FD rate was condensed to 12.79%. Afterwards the policy rates were also reduced at the Monetary policy review meetings, making SDFR and SLFR stand at 7.0% & 8.0% respectively, by the end of September 2019. All this was executed to enhance the private sector credit growth in the country that showed a go-slow approach within the first half of the financial year.

Private Sector Credit Growth was at LKR 5,587.7Bn at the beginning of FY 19/20, and this only grew by 1.6% by the end of September 2019, to LKR 5,679.7Bn. It was this lackluster growth in credit that was one of the main reasons for rates to remain on the low.

Additionally, at the latter part of September 2019, the Monetary board decided to order the Licensed Banks to reduce interest rates applicable on all rupee denominated loans and advances by at least 200 bps by 15 October 2019, in comparison to the interest rates applicable as at 30 April 2019, subject to certain exclusions. This is where the banks had to start acting to reduce the weighted average rates on their lending portfolios, where the immediate lending rates reduction had to be their initiative.

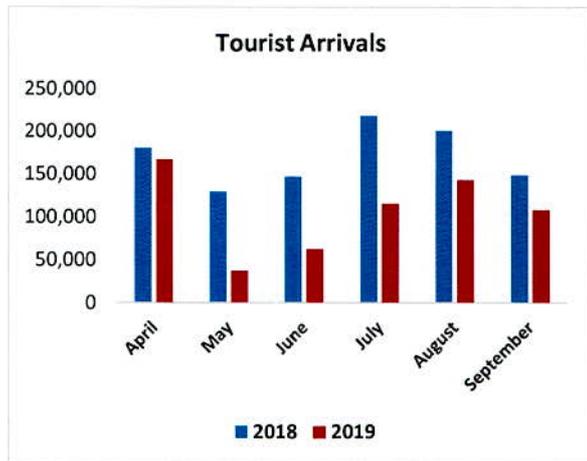
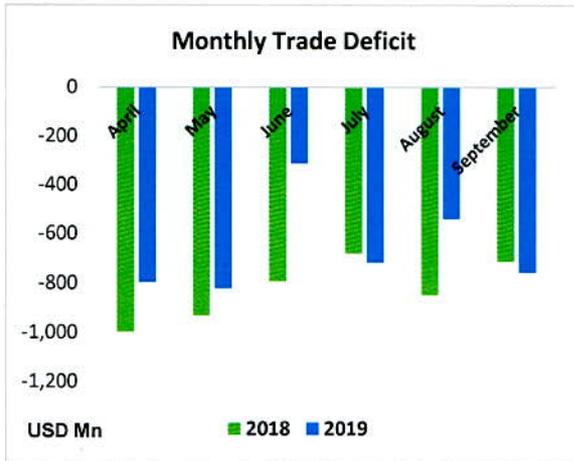
### Exchange Rates and the External Sector

The LKR depreciated by 3.6% within the first half of FY 19/20, ending the LKR at 181.9272 per USD. The currency weakened right after the Easter bombings in the latter part of April 2019, and it took a further dip in the closing end of the first half of FY 19/20, which was driven by foreign exits in the bond market led by a drop in bond yields.



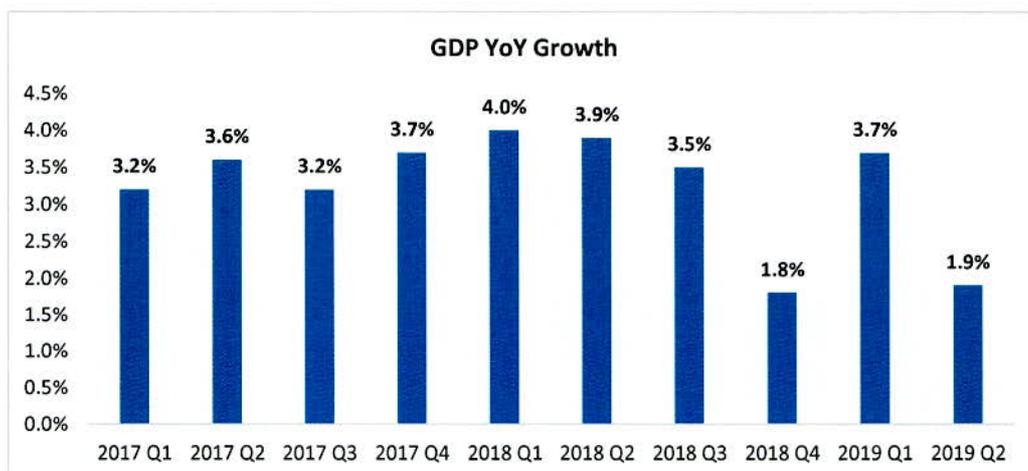
Foreign exits in the country were fueled by an overall exit in Emerging Markets, and also this was a time where the foreigners rebalanced their portfolios with the aid of the dip in bond yields in the country. Furthermore, this reduction in rates wasn't attractive enough to undertake the country risk and currency risk, hence foreign inflows to the country was also limited. However, this foreign outflow would be short lived with the drop in FED rates.

The trade deficit for the period of April 2019 to September 2019 stood USD (3,952) Mn, which was a 20% improvement compared to April 2018 to September 2018. Meanwhile, tourist arrivals took a dip post the Easter attacks, but was quick to rebound by July 2019.



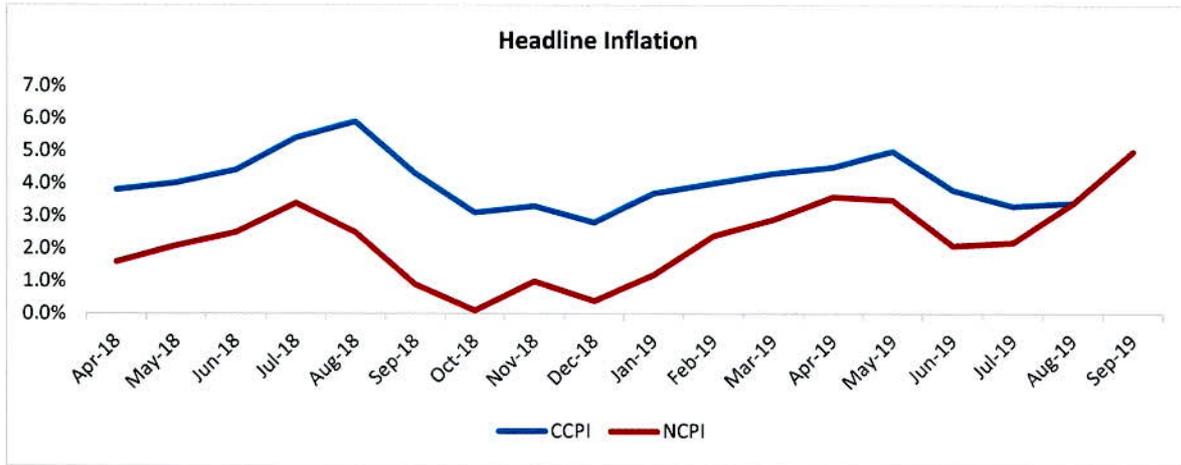
### GDP and Economic growth

GDP at constant prices (2010) for the period of 01 April 2019 to 30 June 2019 stood at 1.9% YoY (cf. 2Q18). The Agriculture sector grew by 1.0%, while the industrial sector grew by 1.4% and services sector by 1.6%. Taxes less subsidies grew by 2.6% in the 2Q19.



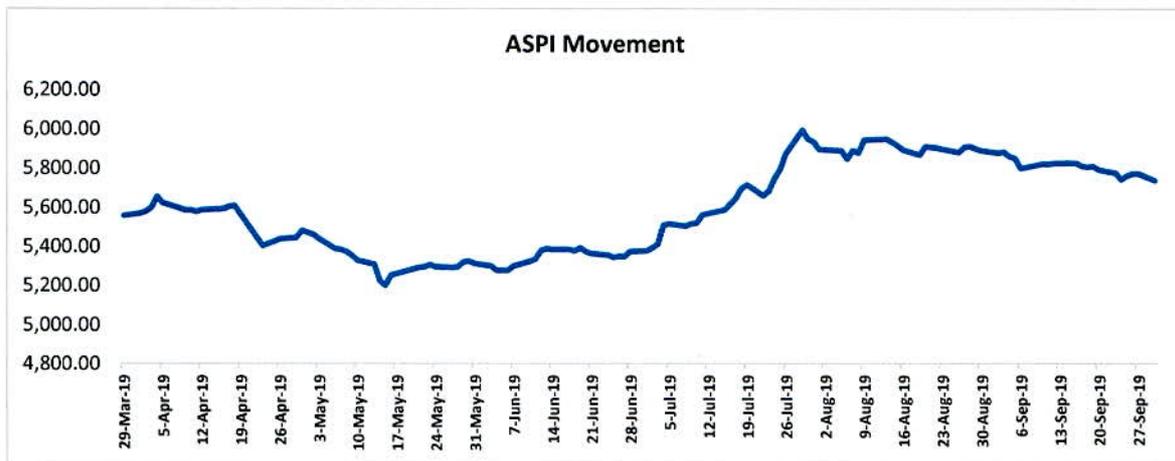
**Inflation**

CCPI & NCPI, as at September 2019, stood at 5.0%.



**Equity market & ASPI movements**

The ASPI presented a growth of 3.3% from 01 April 2019 to 30 September 2019.



The ASPI plunged post Easter attacks by 3.63% in a day and started recovering only post June 2019. And by the end of September 2019, ASPI stood at LKR 5,738.24.

**Conclusion**

Having the interest rate movements forecasted, for the year to come, we have invested the funds in the unit trust portfolios accordingly, focusing more on investing in the long term, to the tenure extent that we saw rates having a turn around in.

**The Fund Management Team**

# Fund Review

## Fund Update

Yield*	6.3%
AUM- 30 Sep 2018**	LKR 3,122.09
Fund Currency	LKR
Inception Date	12-Aug -13

\*Annualized Yield for the period, 01 April 2019 to 30 September 2019. Yield Net of fees. The fund remained inactive for the six months under consideration.

\*\*Assets Under Management

The fund remained inactive for the period under consideration.

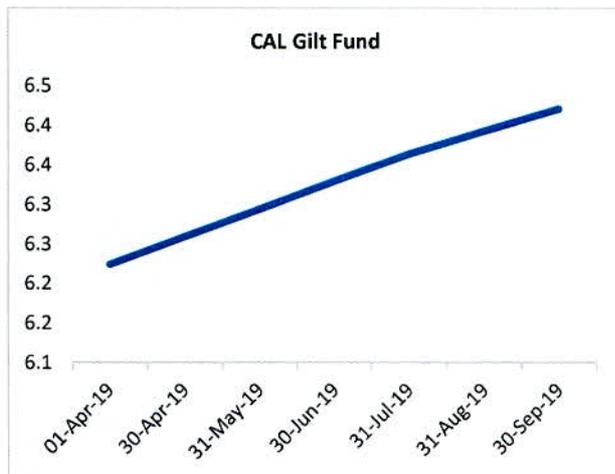
## Fund Overview

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.

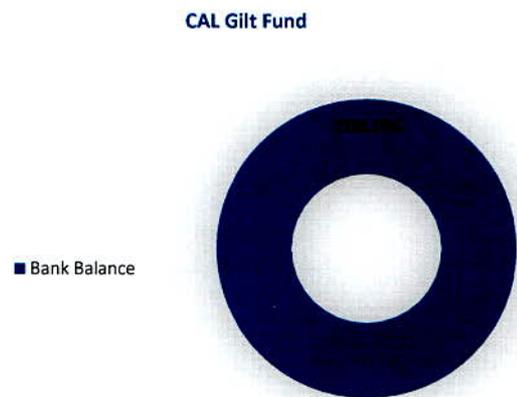
## Fund Performance

The fund's returned an annualized yield of 6.3% for the six months ended September 2019 as the fund remained inactive for the period under consideration.

## CAL Gilt Fund Unit Price



## Portfolio Asset Allocation



As at 30 Sep 2019

**CAPITAL ALLIANCE GILT FUND**  
**STATEMENT OF COMPREHENSIVE INCOME**  
**FOR THE SIX MONTHS PERIOD ENDED SEPTEMBER 30, 2019**

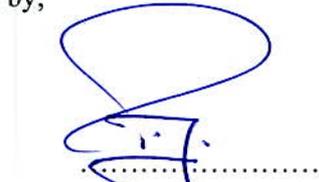
	<b>Six months Ended</b>	<b>Six months Ended</b>
	<b>30.09.2019</b>	<b>30.09.2018</b>
	<b>Rs.</b>	<b>Rs.</b>
<b>Income</b>		
Interest Income from Savings Account	94	-
<b>Total Interest Income</b>	<u>94</u>	<u>-</u>
<b>Net Profit Before Tax</b>	<b>94</b>	<b>-</b>
Income Tax Expense	-	-
<b>Net Profit After Tax For the Period</b>	<u>94</u>	<u>-</u>
<b>Total Comprehensive Income for the Period</b>	<u>94</u>	<u>-</u>
<b>Increase in Net Assets Attributable to Unit Holders</b>	<u>94</u>	<u>-</u>

**CAPITAL ALLIANCE GILT FUND  
STATEMENT OF FINANCIAL POSITION  
AS AT 30 SEPTEMBER 2019**

	<b>30.09.2019</b>	<b>30.09.2018</b>
	<b>Rs.</b>	<b>Rs.</b>
<b>Assets</b>		
Cash and Cash Equivalent	3,122	2,912
	<b>3,122</b>	<b>2,912</b>
 <b>Net Assets</b>	 <b>3,122</b>	 <b>2,912</b>
 <b>Unit Holders' Funds:</b>		
Net Assets Attributable to Unit Holders	3,122	2,912

The Manager is responsible for these Financial Statements and these Financial Statements were approved by the Manager, signed for and on behalf of the Manager by;

  
.....  
Director

  
.....  
Director

**CAPITAL ALLIANCE GILT FUND**  
**STATEMENT OF MOVEMENT IN UNIT HOLDERS' FUNDS**  
**FOR THE SIX MONTHS PERIOD ENDED SEPTEMBER 30, 2019**

	<b>30.09.2019</b> <b>Rs.</b>
Net Assets as at 1 April 2019	2,988
Total Comprehensive Income for the Period	94
<b>Movement due to Creation and Redemption of Units</b>	
Received on Creation of Units	100
Payments on Cancellation of Units	<u>(60)</u>
<b>Net Increase Due to Unit Holders' Transactions</b>	<u>40</u>
<b>Net Assets as at 30 September 2019</b>	<u><u>3,122</u></u>

**CAPITAL ALLIANCE GILT FUND  
PORTFOLIO STATEMENT  
AS AT 30 SEPTEMBER 2019**

	<b>30.09.2019 Rs.</b>	<b>% of Deposited Property</b>
<b>Investments</b>		
Cash and Cash Equivalent	3,122	100.0%
	<hr/> <b>3,122</b> <hr/>	<hr/> <b>100.0%</b> <hr/>

## **CORPORATE DIRECTORY**

### **Trustee and Custodian**

Deutsche Bank AG,  
Colombo Branch,  
Company number NF61,  
86, Galle Road  
Colombo 3

### **Auditors**

Ernst & Young,  
Chartered Accountants,  
201, De Saram Place,  
Colombo 10

### **Bankers**

Deutsche Bank AG,  
Colombo Branch,  
Company number NF61,  
86, Galle Road  
Colombo 3

### **Lawyers**

F J & G de Saram  
Attorneys-at-Law & Notaries Public  
216 De Saram Place  
Colombo 10

### **Managers**

Capital Alliance Investments Limited,  
Company number PV 4663  
46/58, Level 5, "Millennium House"  
Navam Mawatha,  
Colombo 02

### **Board of Directors**

Mr. W.A.T. Fernando	Director
Mrs. H. M. S. Perera	Director
Mr. A. D. Pushparajah	Director
Mr. S. M. Paranavitana	Director
Mr. K. D. Bernard	Director