



30 SEPTEMBER 2024

# FUND MANAGERS REVIEW

## CAPITAL ALLIANCE INVESTMENT GRADE FUND

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**UNIT TRUST 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.

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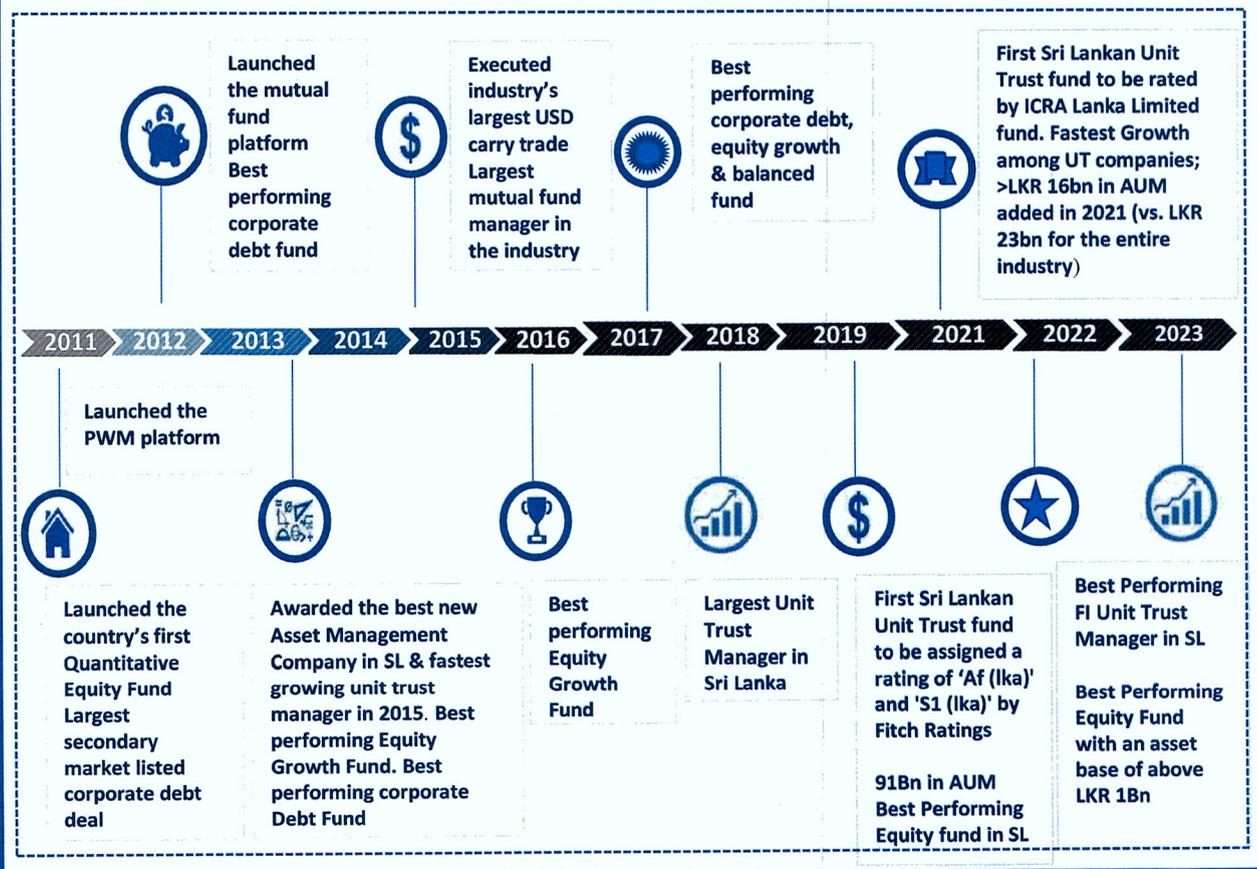
# Capital Alliance Investments Limited

**Capital Alliance Investments Ltd (CALI)** has established itself as one of the largest wealth managers in Sri Lanka as evidenced by its Unit Trust Assets under Management of over LKR 116Bn (as at 30 September 2024), 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, October 2021 and July 2022)
- ✓ 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)

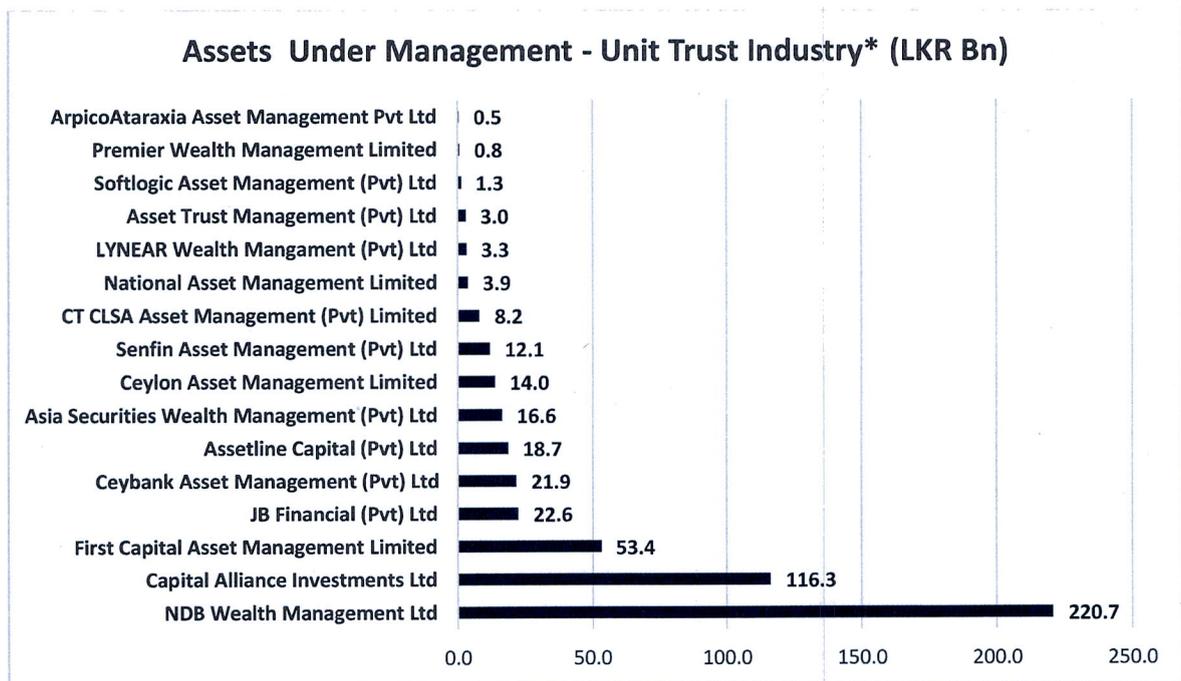
CAL's service offering is built on the pillars of best-in-class service and market outperformance. We are confident that our intimate knowledge of the Sri Lankan economy and our established networks within its capital markets will enable us to deliver attractive returns on your investment.

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.

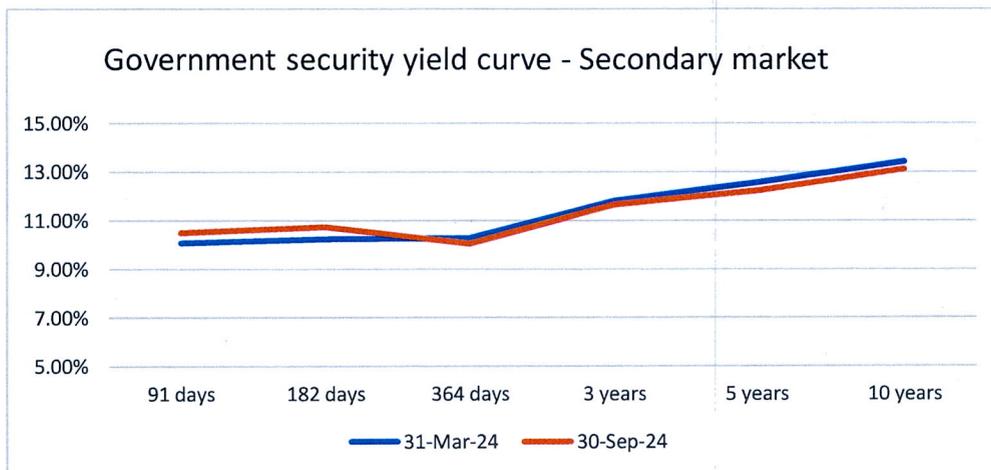
CAL is a completely independent wealth management firm that works with a large network of Primary dealers, stockbrokers, Banks, registered Finance Companies and corporates to provide the best financial solutions to our clients. Our interests are aligned in every way, and as such, you can be assured of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



\*As at 30 September 2024

### Economic Review – September 2024

Sri Lanka has maintained its accommodative monetary policy stance in FY24 as inflation eased and economic activity rebounded. For the six months ending September 2024, the short term-treasury bills and longer-term bond rates have remained relatively stable, illustrated below.



Furthermore, during the same period, the Central Bank of Sri Lanka (CBSL) has reduced its Standing Deposit Facility Rate (SDFR) and the Standing Lending Facility Rate (SLFR) by 25 basis points, to 8.25% and 9.25% respectively. The Statutory Reserve Ratio (SRR) however, remained unchanged. These monetary policy adjustments aided in stabilizing the economic environment characterized by declining inflation, recovering consumer spending, and increased private sector investments.

Private Sector Credit Growth has experienced a positive trajectory, growing by 8.8% to LKR 7,794Bn year-on-year, contributing to an overall rise in GDP in 2024. The GDP growth YoY for the second quarter of 2024 stood at 4.7%. This rise suggests that both consumer demand and business investments have been on the upswing and serves as a key indicator of the ongoing economic recovery.

As of September 2024, Sri Lanka's inflation has significantly decreased. The Colombo Consumer Price Index (CCPI) recorded a deflation of -0.5% year-on-year in September 2024, down from a 0.5% increase the previous month, marking the first deflation since 1995. This was largely driven by the base effect as 2023 experienced extremely high levels of inflation. The National Consumer Price Index (NCPI) also reflects this, falling to -0.2% year-on-year in September. We expect inflation to loom around positive low single digit levels in the coming few months.

The Gross official reserves as of 30<sup>th</sup> September 2024 have risen close to USD 6Bn, up from USD 4.5Bn at the start of 2024, following the continued fund facility with the International Monetary Fund and other inflows of dollars.

The Sri Lankan Rupee (LKR) has further appreciated against the USD, where end September 2024 records the LKR at 299.36 to USD 1. This represents an approximate 7.60% appreciation of the LKR against the US Dollar since the start of 2024.

Sri Lanka's Balance of Payments surplus has steadily improved, driven by strong foreign remittances, which reached a notable USD 4.8Bn from January to September compared to USD 4.3Bn in 2023 for the same period. Additionally, the number of tourist arrivals saw a robust 46% year-on-year growth during the same period, contributing to a significant increase in tourism earnings, totaling to USD 2.3Bn as of 30<sup>th</sup> September 2024, compared to USD 1.4 Bn in 2023.

The current outlook suggests a continued accommodative monetary policy stance, with low inflation expected to persist through 1Q25, primarily due to the base effect. We anticipate a continued decline in interest rates in the economy, given no sudden changes to economic metrics.

By considering both macro and microeconomic factors, we have strategically adjusted our fund allocations to achieve an optimal balance of risk and return, ensuring above-market returns for our unit trust funds.

**Fund Management team**

## Fund Review

### Fund Update

Yield*	11.0%
AUM – 30 September 2024**	LKR 53.48 Bn
Fund Currency	LKR
Inception Date	30-Aug-13

\*Annualized Yield For the period, 01 April 2024 to 30 September 2024. Yield Net of fees.

\*\*Assets Under Management

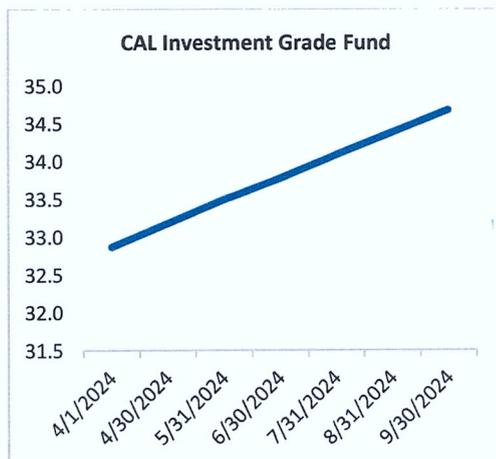
### Fund Overview

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.

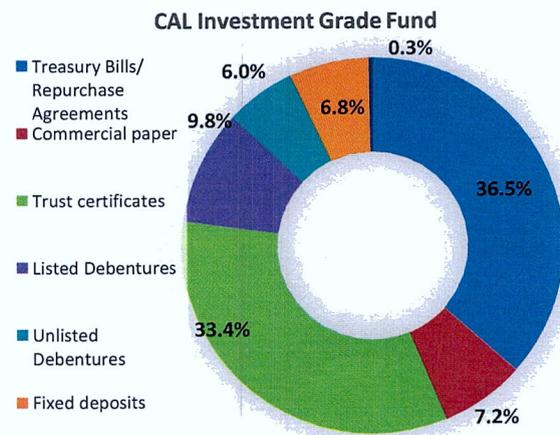
### Fund Performance

The fund returned an annualized yield of 11.0% for the 6 months ended 30 September 2024.

#### CAL Investment Grade Fund Unit Price



#### Portfolio Asset Allocation



As at 30 September 2024

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

	30.09.2024 Unaudited Rs.	30.09.2023 Unaudited Rs.
<b>Income</b>		
Interest - Reverse Repurchase Agreement	1,398,648,611	111,858,852
Interest - Treasury Bonds	-	196,130,458
Interest - Treasury Bills	10,023,959	17,774,900
Interest - Commercial Papers	244,609,820	7,963,029
Interest - Debentures	361,387,419	315,673,199
Interest - Trust Certificates	1,409,832,074	1,117,833,592
Interest - Fixed Deposits	217,148,074	328,854,756
Interest - Savings Account and Money Market	3,451,676	7,187,134
Gain on Treasury Bonds	-	410,564,202
Loss on Treasury Bills	-	(3,257,500)
<b>Total Income</b>	<b>3,645,101,633</b>	<b>2,510,582,622</b>
Unrealised gain on Financial Assets at Fair Value through Profit or Loss	6,376,417	22,577,478
Reversal of Impairment	156,793,035	127,216,842
<b>Expenses</b>		
Management fees	(255,174,007)	(75,562,841)
Trustee fees	(49,189,630)	(15,987,309)
Custodian fees	(145,231)	(129,323)
Audit fees	(1,386,151)	(363,041)
Bank charges	(1,125,276)	(640,540)
Tax consultancy fees	(17,500)	-
Loan Interest expenses	-	(3,185)
<b>Total operating expenses</b>	<b>(307,037,795)</b>	<b>(92,686,239)</b>
Net operating profit	3,494,856,873	2,545,113,226
<b>Profit before tax</b>	<b>3,501,233,290</b>	<b>2,567,690,703</b>
Income tax expense	-	-
<b>Profit after tax for the period</b>	<b>3,501,233,290</b>	<b>2,567,690,703</b>
Other comprehensive income	-	-
<b>Total comprehensive income</b>	<b>3,501,233,290</b>	<b>2,567,690,703</b>
<b>Increase in net assets attributable to unitholders</b>	<b>3,501,233,290</b>	<b>2,567,690,703</b>

CAPITAL ALLIANCE INVESTMENT GRADE FUND  
STATEMENT OF FINANCIAL POSITION  
AS AT

	As at 30.09.2024 Unaudited Rs.	As at 31.03.2024 Audited Rs.
<b>Assets</b>		
Cash and cash equivalents	165,008,371	126,586,352
<b>Financial assets at Fair Value through Profit or Loss</b>		
Treasury Bills	3,103,131,392	796,200,800
<b>Financial assets at amortised cost</b>		
Investment in Reverse Repurchase Agreements	16,437,711,435	18,432,250,140
Investment In Fixed deposits	3,630,619,749	1,413,471,652
Investment in Trust Certificates	17,861,962,530	16,809,709,471
Investment in - Debentures	8,443,788,986	4,299,542,595
Investment In Commercial Papers	3,840,789,516	4,626,016,106
Less - Impairment for Financial assets at amortized cost	(386,395,209)	(543,188,245)
Other receivables	144,523,072	233,693,958
<b>Total assets</b>	<b>53,241,139,842</b>	<b>46,194,282,829</b>
<b>Liabilities</b>		
Management Fee Payable	(28,114,185)	(36,372,956)
Trustee fee payable	(7,975,994)	(6,304,646)
Custodian Fees payable	(23,808)	(24,602)
Audit Fees payable	(329,054)	(886,787)
Consultancy Fee Payable	(18,743)	(1,243)
Fund Received for unit creation	(91,928,113)	(47,933,202)
Other payable	(4,341,229)	(4,448,289)
<b>Total liabilities</b>	<b>(132,731,126)</b>	<b>(95,971,725)</b>
<b>Net assets</b>	<b>53,108,408,716</b>	<b>46,098,311,104</b>
<b>Unitholders' fund</b>		
Net assets attributable to Unitholders	<b>53,108,408,716</b>	<b>46,098,311,104</b>

Signed for and on behalf of the Managing Company by;



Director  
Capital Alliance Investments Limited  
Management Company

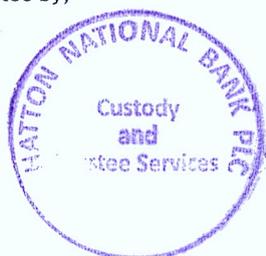
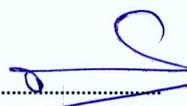


Director  
Capital Alliance Investments Limited  
Management Company

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

	30.09.2024 Unaudited Rs.	30.09.2023 Unaudited Rs.
Unit holders' fund at the beginning of the period	46,098,311,104	15,140,352,212
Total comprehensive income for the period	3,501,233,290	2,567,690,703
Received on creation of units	108,251,420,974	51,772,313,997
Paid on redemption of units	(104,742,556,652)	(39,633,008,675)
Net increase due to unit holders' transactions	3,508,864,322	12,139,305,322
Unit holders' fund at the end of the period	<u>53,108,408,716</u>	<u>29,847,348,237</u>

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

	30.09.2024 Unaudited Rs.	30.09.2023 Unaudited Rs.
<b>Cash flows (used in)/from operating activities</b>		
Interest received	3,203,142,969	2,144,731,491
Other income received	3,451,676	413,986,790
Net change in fund received for unit creation	43,994,911	-
Operating expenses paid	(314,166,245)	(84,642,610)
Net investment (in)/upliftment of Repurchase agreements	2,004,347,000	(2,460,407,000)
Net investment (in)/upliftment of Fixed deposits	(2,000,000,000)	(5,589,644)
Net investment (in)/upliftment of Debentures	(4,130,460,000)	1,020,000,000
Net investment (in)/upliftment of Commercial papers	893,579,427	(392,322,829)
Net investment (in)/upliftment of Trust certificates	(946,008,650)	(16,379,450,571)
Net investment (in)/upliftment of Treasury Bills	(2,317,387,216)	-
Net investment (in)/upliftment of Treasury Bonds	-	3,646,679,306
Net movement in other receivables and payables	89,063,825	(6,090,801)
<b>Net cash used in operating activities</b>	<b>(3,470,442,303)</b>	<b>(12,103,105,867)</b>
<b>Cash flows from/(used in) financing activities</b>		
Cash received on creation of units	108,251,420,974	51,772,313,997
Cash paid on redemption of units	(104,742,556,652)	(39,633,008,675)
<b>Net cash generated from financing activities</b>	<b>3,508,864,322</b>	<b>12,139,305,322</b>
Net increase in cash and cash equivalents	38,422,019	36,199,455
Cash and cash equivalents at the beginning of the period	126,586,352	10,989,534
<b>Cash and cash equivalents at the end of the period</b>	<b>165,008,371</b>	<b>47,188,989</b>

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

	As at 30.09.2024 Unaudited Rs.	As at 31.03.2024 Audited Rs.
Net asset value as per financial statements	53,108,408,716	46,098,311,104
Impairment provision	386,395,209	543,188,245
<b>Published net asset value</b>	<b><u>53,494,803,925</u></b>	<b><u>46,641,499,349</u></b>
Number of units outstanding	1,542,869,732.37	1,419,652,047.23
Published net asset value per unit	34.6723	32.8542

CAPITAL ALLIANCE INVESTMENT GRADE FUND

PORTFOLIO STATEMENT

	As at	As at	% of Deposited	
	30.09.2024	31.03.2024	Property	
	Rs.	Rs.	Sep-24	Mar-24
<b>Assets</b>				
Cash and cash equivalents	165,008,371	126,586,352	0.31%	0.27%
Financial assets at Fair Value through Profit or Loss				
Treasury Bills	3,103,131,392	796,200,800	5.84%	1.73%
Financial assets at amortised cost				
Investment in Reverse Repurchase Agreements	16,437,711,435	18,432,250,140	30.95%	39.98%
Investment In Fixed deposits	3,630,619,749	1,413,471,652	6.84%	3.07%
Investment in Trust Certificates	17,861,962,530	16,809,709,471	33.63%	36.46%
Investment in - Debentures	8,443,788,986	4,299,542,595	15.90%	9.33%
Investment In Commercial Papers	3,840,789,516	4,626,016,106	7.23%	10.04%
Less - Impairment for Financial assets at amortized cost	(386,395,209)	(543,188,245)	-0.73%	-1.18%
Other receivables	144,523,072	233,693,958	0.27%	0.51%
<b>Total assets</b>	<b>53,241,139,842</b>	<b>46,194,282,829</b>	<b>100.25%</b>	<b>100.21%</b>
<b>Liabilities</b>				
Management Fee Payable	(28,114,185)	(36,372,956)	-0.05%	-0.08%
Trustee fee payable	(7,975,994)	(6,304,646)	-0.02%	-0.01%
Custodian Fees payable	(23,808)	(24,602)	0.00%	0.00%
Audit Fees payable	(329,054)	(886,787)	0.00%	0.00%
Consultancy Fee Payable	(18,743)	(1,243)	0.00%	0.00%
Fund Received for unit creation	(91,928,113)	(47,933,202)	-0.17%	-0.10%
Other payable	(4,341,229)	(4,448,289)	-0.01%	-0.01%
<b>Total liabilities</b>	<b>(132,731,126)</b>	<b>(95,971,725)</b>	<b>-0.25%</b>	<b>-0.21%</b>
<b>Net Assets</b>	<b>53,108,408,716</b>	<b>46,098,311,104</b>	<b>100.00%</b>	<b>100.00%</b>

## Corporate Information

### BOARD OF DIRECTORS

Mr. Kanishke Mannakkara

Mrs. Sharmali Perera

Ms. M De Zoysa

### UNIT TRUST MANAGEMENT COMPANY

**Capital Alliance Investments  
Limited**

Level 5, "Millennium House",

46 / 58 Nawam Mawatha,

Colombo 02

### TRUSTEE & CUSTODIAN

**Hatton National Bank PLC**

No.479,

T.B Jayah Mawatha,

Colombo 01

### AUDITORS

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

65/2, Sir Chittampalam A Gardiner  
Mawatha,

Colombo 02

### TAX CONSULTANTS

**Dinitway Partners  
Chartered Accountants**

No.7 1/2, Devanampiyatissa  
Mawatha

Colombo 10