



30 SEPTEMBER 2024

# FUND MANAGERS REVIEW

## CAPITAL ALLIANCE BALANCED 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.

## Table of Contents

	Page
Report from the Investment Manager	2
Statement of Comprehensive Income	7
Statement of Financial Position	8
Statement of Movement in Unit Holders Fund	9
Statement of Cash Flows	10
NAV Reconciliation	11
Investment Portfolio	12
Corporate Directory	13

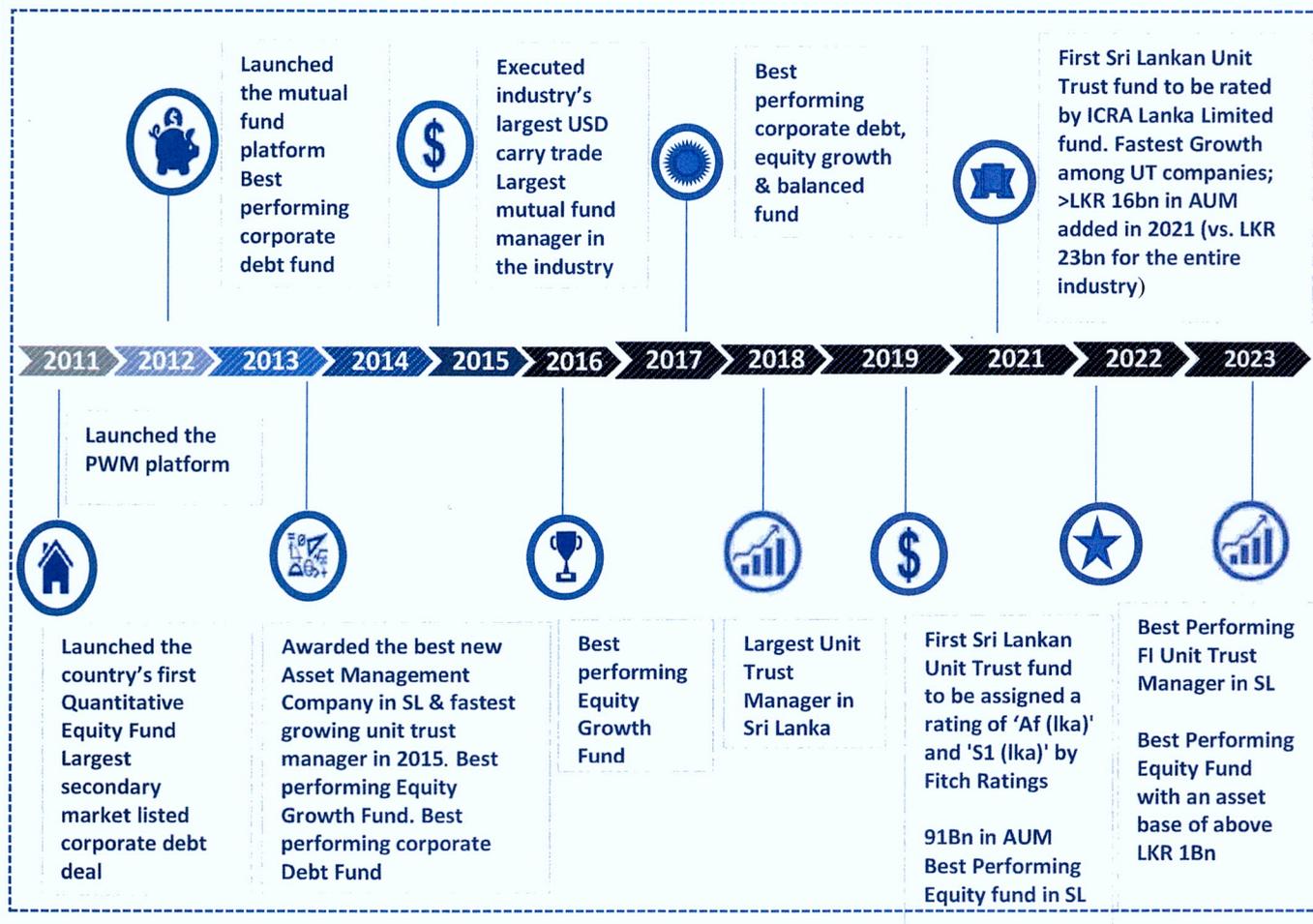
# Capital Alliance Investments Limited

**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.

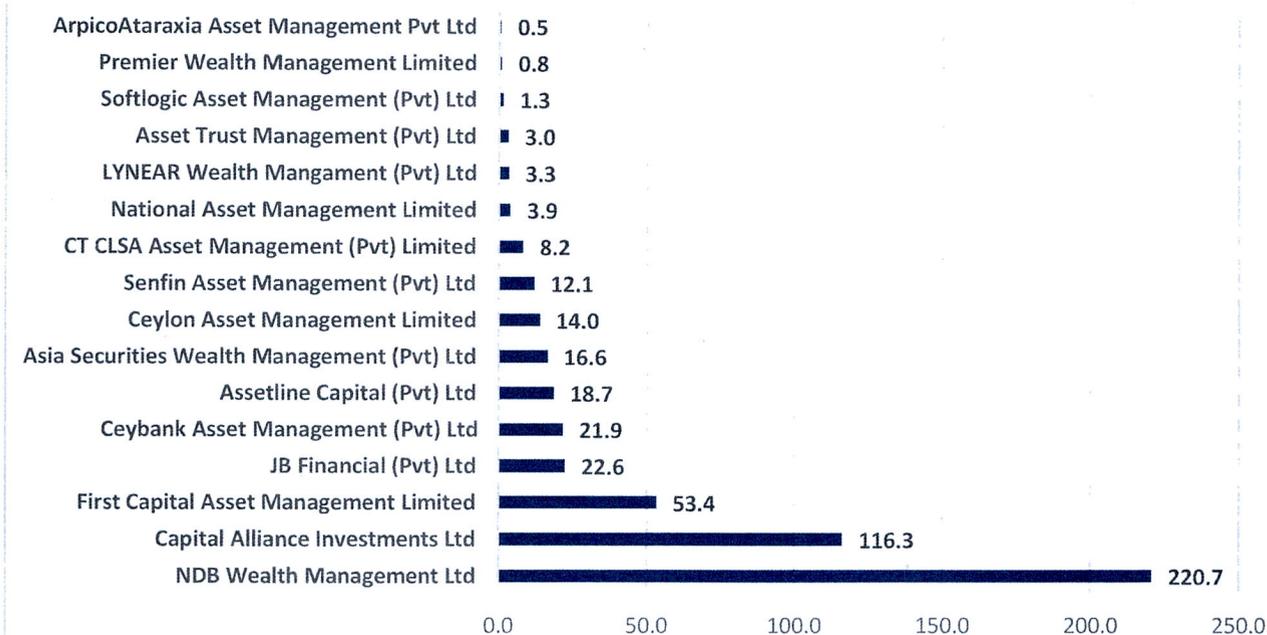
We specialize in originating, trading and investing: in fixed income and equity securities. Our focus on providing innovative solutions tailored to meet the needs of our customers has enabled us to build a reputation as “the Preferred Partner in Financial Markets”.



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.

### Assets Under Management - Unit Trust Industry\* (LKR Bn)

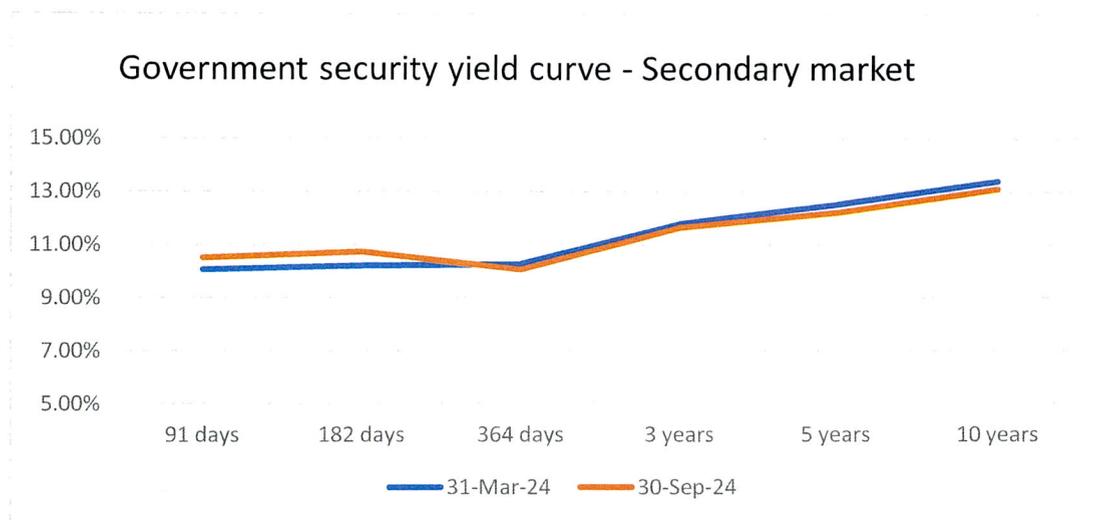


Source: utasl.lk

\*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 30th 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%
ASPI (01 April 2024 to 30 September 2024)	11.3%
S&P SL20 (01 April 2024 to 30 September 2024)	12.5%
AUM – 30 September 2024**	LKR 124 Mn
Fund Currency	LKR
Inception Date	30-Jan-15

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

\*\*Assets Under Management

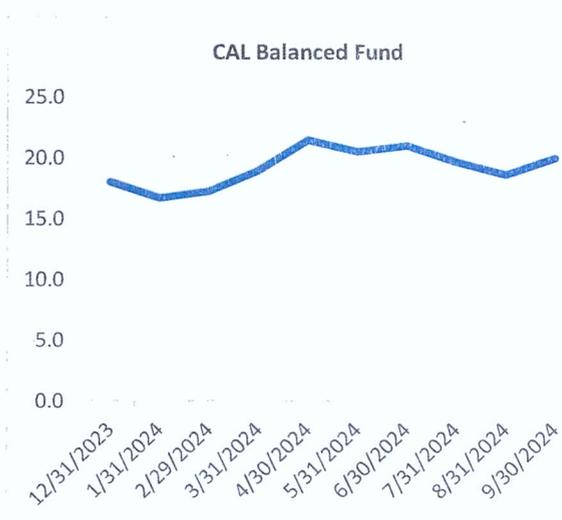
### Fund Overview

The CAL Balanced Fund can invest in Shares which are listed on a licensed stock exchange, Corporate Debt instruments and Government Securities. In order to optimize the return to the unit holders during the period under review the fund's majority of the investments were fixed income securities. The Fund is suitable for investors looking to optimize income and to maintain capital security and liquidity.

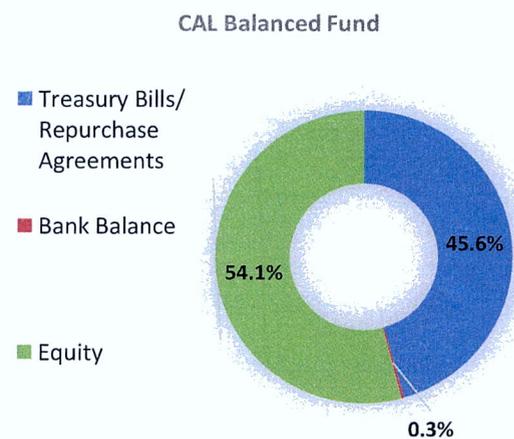
### Fund Performance

The fund returned annualized yield of 11.0% for the 6 months ended 30 September 2024, while the ASPI yield for the same period was 11.3%, and the S&P SL20 yield is 12.5%.

**CAL Balanced Fund Unit Price**



**Portfolio Asset Allocation**



As at 30 September 2024

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

	<b>30.09.2024</b>	<b>30.09.2023</b>
	<b>Unaudited</b>	<b>Unaudited</b>
	<b>Rs.</b>	<b>Rs.</b>
Interest Income - Repurchase agreements	1,090,368	864,194
Interest Income - Treasury bill	-	148,332
Interest from Savings account	30,211	111,949
Dividend income	3,794,698	-
<b>Total Income</b>	<u>4,915,277</u>	<u>1,124,475</u>
Net Realized Gain on Financial Assets through Profit or loss	13,203,352	1,587,178
Unrealised Gain/(Loss) on Financial Assets at Fair Value through Profit or Loss	(11,884,297)	41,069,482
<b>Expenses</b>		
Management fees expense	(569,240)	(420,156)
Trustee fees expense	(151,797)	(146,813)
Custodian fees expense	(145,231)	(89,964)
Audit fee	(964)	-
Bank charges	(97,050)	(79,681)
Outperformance fee	-	(3,003,096)
Brokerage fee	(529,558)	(685,539)
Other expenses	(8)	(10,576)
<b>Total operating expenses</b>	<u>(1,493,848)</u>	<u>(4,435,825)</u>
<b>Profit before tax</b>	4,740,484	39,345,310
Income tax expense	-	-
<b>Profit for the period</b>	<u>4,740,484</u>	<u>39,345,310</u>
<b>Total comprehensive income</b>	<u><u>4,740,484</u></u>	<u><u>39,345,310</u></u>
<b>Increase in net assets attributable to unitholders</b>	<b>4,740,484</b>	<b>39,345,310</b>

**CAPITAL ALLIANCE BALANCED 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	365,202	516,754
Investment in Reverse Repurchase Agreements	56,781,075	2,804,917
Financial assets at fair value through profit or Loss -	67,341,522	108,670,726
Other receivable	19	47,964
<b>Total assets</b>	<u>124,487,818</u>	<u>112,040,361</u>
<b>Liabilities</b>		
Management fees payable	(85,908)	(156,354)
Trustee fees payable	(22,909)	(41,694)
Custodian fees payable	(23,808)	(47,617)
Audit fee payable	(964)	-
<b>Total liabilities</b>	<u>(133,589)</u>	<u>(245,665)</u>
<b>Net Assets</b>	<u><u>124,354,229</u></u>	<u><u>111,794,696</u></u>
<b>Unitholders' Fund</b>		
Net assets attributable to Unitholders	<u><u>124,354,229</u></u>	<u><u>111,794,696</u></u>

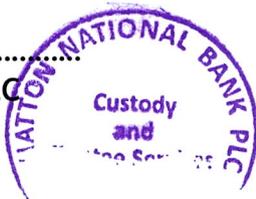
Signed for and on behalf of the Management Company by:

.....  
**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 30<sup>th</sup> SEPTEMBER**

	<u>30.09.2024</u> Rs.	<u>30.09.2023</u> Rs.
Unitholders' fund at the beginning of the period	111,794,696	2,814,361
Total comprehensive income for the period	4,740,484	39,345,310
Received on creation of Units	27,306,852	120,000,525
Paid on redemption of Units	<u>(19,487,803)</u>	<u>(24,088,616)</u>
Net increase due to Unitholders' transactions	7,819,049	95,911,910
Unitholders' fund at the end of the period	<u><u>124,354,229</u></u>	<u><u>138,071,580</u></u>

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

	<b>30.09.2024</b>	<b>30.09.2023</b>
	<b>Unaudited</b>	<b>Unaudited</b>
	<b>Rs.</b>	<b>Rs.</b>
	<hr/>	<hr/>
<b>Cash flows from operating activities</b>		
Interest received	1,101,312	1,015,158
Dividend received	3,794,698	-
Other income received	30,211	109,239
Management, trustee and custodian fees paid	(979,308)	(534,318)
Net change in other receivable	47,945	-
Share settlement payments	-	(35,222,667)
Other expenses paid	(626,616)	(775,798)
Net investment In reverse repurchase agreements	(53,987,102)	(11,530,878)
Net investment (In)/upliftment of Treasury Bills	-	1,872,441
Net disposal of/(Investment) in shares	42,648,259	(50,478,310)
<b>Net cash used in operating activities</b>	<hr/> <b>(7,970,601)</b>	<hr/> <b>(95,545,133)</b>
 <b>Cash flows from financing activities</b>		
Cash received on creation of units	27,306,852	120,000,525
Cash paid on redemption of units	(19,487,803)	(24,088,616)
<b>Net cash generated from financing activities</b>	<hr/> <b>7,819,049</b>	<hr/> <b>95,911,909</b>
 <b>Net increase/(decrease) in cash and cash equivalents</b>	 <b>(151,552)</b>	 <b>366,776</b>
Cash and cash equivalents at the beginning of the period	516,754	1,146,623
<b>Cash and cash equivalents at the end of the period</b>	<hr/> <b>365,202</b>	<hr/> <b>1,513,400</b>

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

	As at 30.09.2024 Rs.	As at 31.03.2024 Rs.
Net Asset value as per financial statements	124,354,229	111,794,696
Published net asset value	<u>124,354,229</u>	<u>111,794,696</u>
Number of Units outstanding	6,233,413.01	5,902,086.50
Published net asset value per unit	<u>19.9496</u>	<u>18.9416</u>

**CAPITAL ALLIANCE BALANCED FUND  
PORTFOLIO STATEMENT**

	30.09.2024	31.03.2024	% of Deposited Property	
	Rs.	Rs.	Sep-24	Mar-24
<b>Assets</b>				
Cash and cash equivalents	365,202	516,754	0.29%	0.46%
Investment in Reverse Repurchase Agreements	56,781,075	2,804,917	45.66%	2.51%
Financial assets at fair value through profit or Loss - Investments in Shares	67,341,522	108,670,726	54.15%	97.21%
Other receivable	19	47,964	0.00%	0.04%
<b>Total assets</b>	<u>124,487,818</u>	<u>112,040,361</u>	<u>100.11%</u>	<u>100.22%</u>
<b>Liabilities</b>				
Management fees payable	(85,908)	(156,354)	-0.07%	0.14%
Trustee fees payable	(22,909)	(41,694)	-0.02%	0.04%
Custodian fees payable	(23,808)	(47,617)	-0.02%	0.04%
Audit fee payable	(964)	-	0.00%	0.00%
<b>Total liabilities</b>	<u>(133,589)</u>	<u>(245,665)</u>	<u>-0.11%</u>	<u>0.22%</u>
<b>Net Assets</b>	<u>124,354,229</u>	<u>111,794,696</u>	<u>100.00%</u>	<u>100.00%</u>

## 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