

An aerial night view of a city skyline, likely Colombo, Sri Lanka. The image shows a river flowing through the city, with a bridge crossing it. The city lights are reflected in the water, and a prominent skyscraper is visible in the background.

30 SEPTEMBER 2024 FUND MANAGERS REVIEW

CAPITAL ALLIANCE HIGH YIELD FUND

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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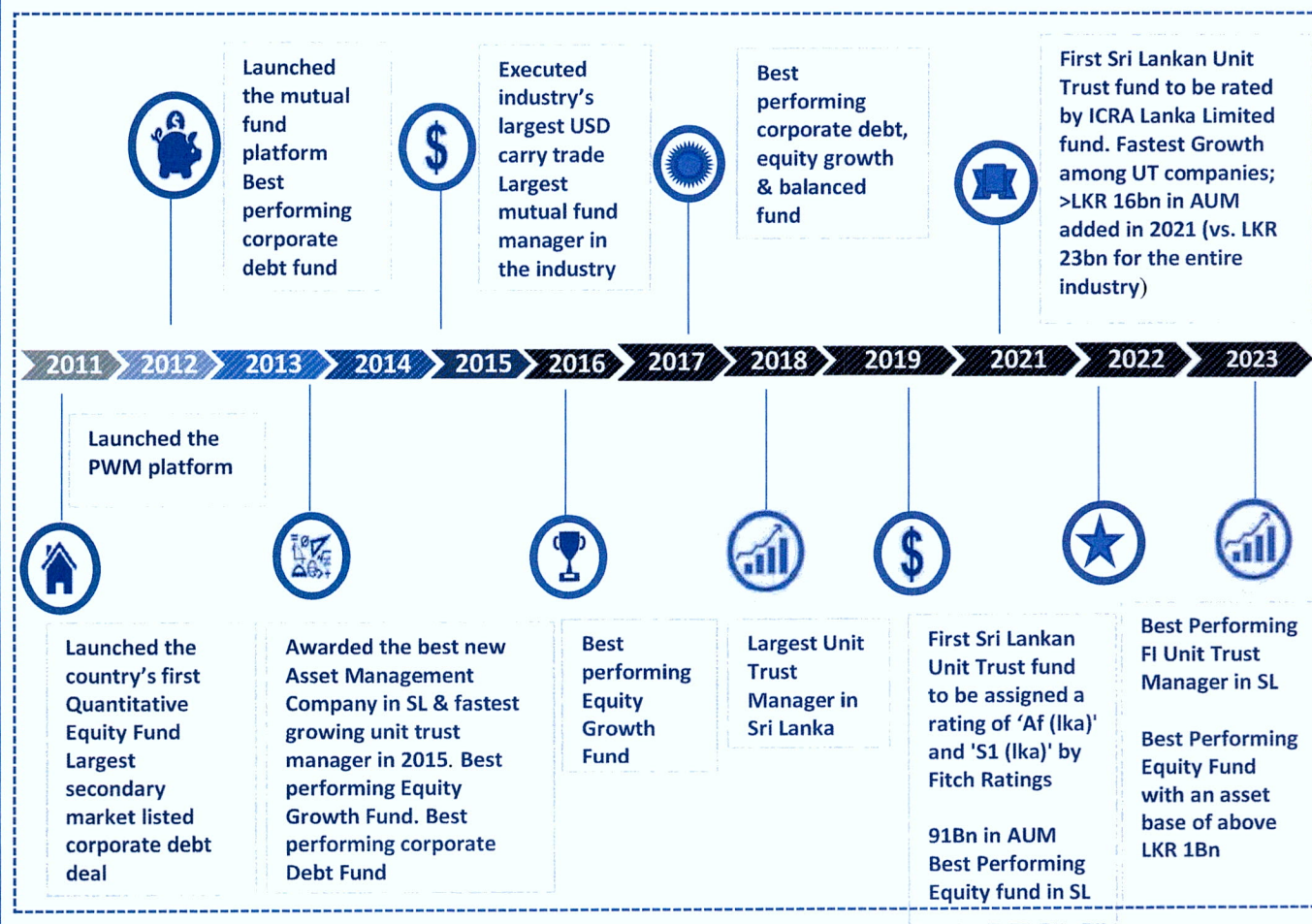
Capital Alliance Investments Limited

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.

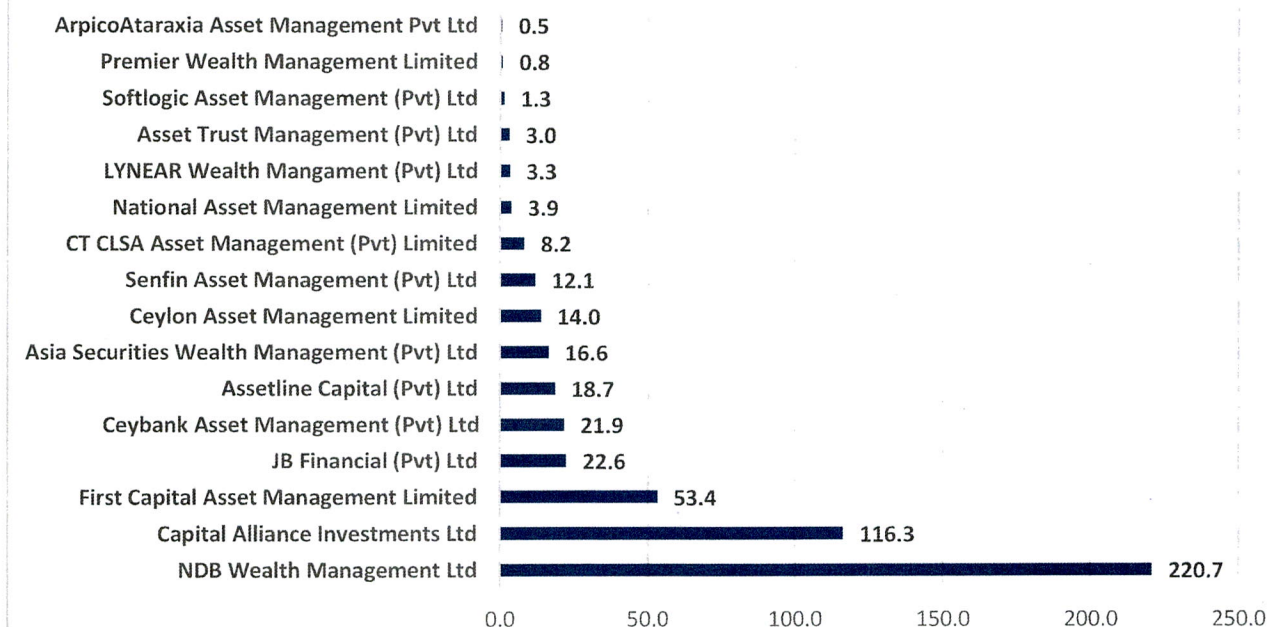
We specialize in originating, trading and investing: in fixed income and equity securities. Our focus on providing innovative solutions tailored to meet the needs of our customers has enabled us to build a reputation as "the Preferred Partner in Financial Markets".



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.

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



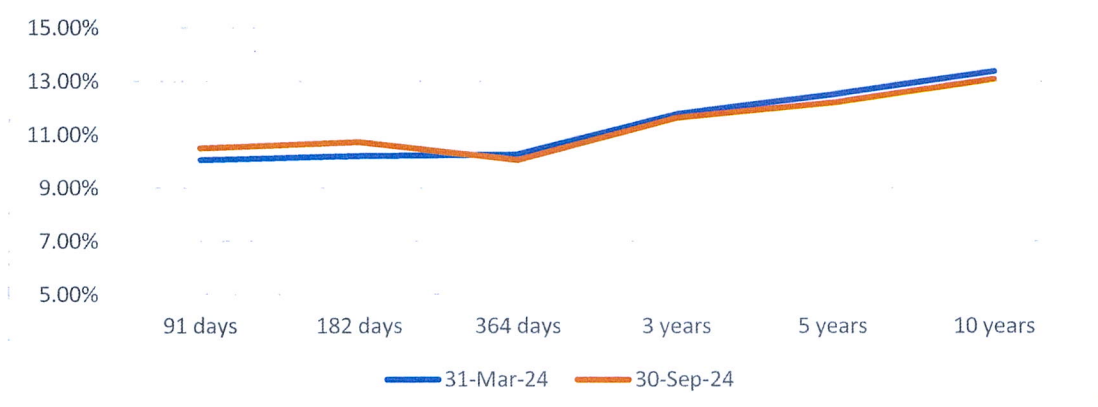
Source: utasl.lk

*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.

Government security yield curve - Secondary market



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 30th 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*	10.4%
AUM – 30 September 2024**	LKR 247 Mn
Fund Currency	LKR
Inception Date	11-May-12

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

**Assets Under Management

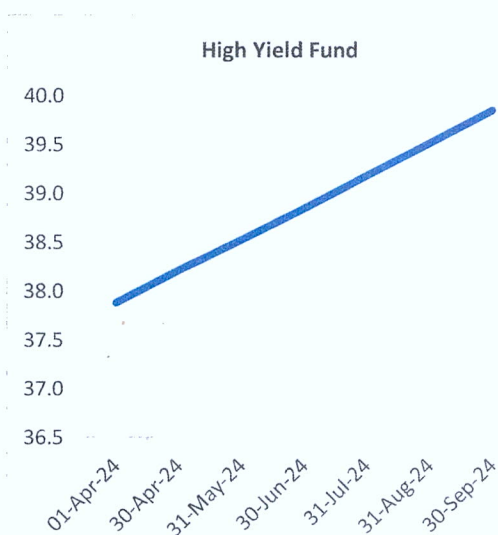
Fund Overview

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.

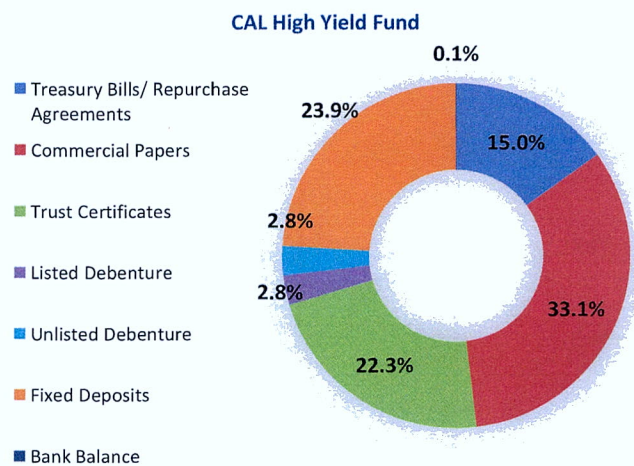
Fund Performance

The fund returned an annualized yield of 10.4% for the for the 6 months ended 30 September 2024.

CAL High Yield Fund Unit Price



Portfolio Asset Allocation



As at 30 September 2024

CAPITAL ALLIANCE HIGH YIELD 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.
Interest on Treasury bills/Bonds repurchase agreements	3,074,358	4,278,550
Interest on Commercial papers	4,010,956	8,317,384
Interest on Fixed deposits	2,830,755	5,629,947
Interest on Debentures	739,337	1,240,194
Interest on Trust certificates	2,339,622	-
Interest on Treasury bills	-	267,135
Interest on Savings deposits and Money market	19,545	62,242
Total investment income	13,014,574	19,795,452
Unrealised Gain on Financial asset at Fair Value through Profit or Loss	-	21,345
Impairment (Charges)/ Reversal	(12,095,800)	658,480
Expenses		
Management fees	(1,026,132)	(703,209)
Trustee fees	(177,863)	(152,272)
Custodian fees	(145,231)	(141,926)
Audit fees	(5,904)	(5,267)
Bank charges	(115,967)	(85,276)
Tax consultancy fee	(17,500)	-
Total operating expenses	(1,488,597)	(1,087,949)
Profit/ (Loss) before tax	(569,823)	19,387,327
Income tax expenses	-	-
Profit/ (Loss) for the period	(569,823)	19,387,327
Other comprehensive income	-	-
Total comprehensive income/ (expense)	(569,823)	19,387,327
Increase/ (decrease) in net assets attributable to unitholders	(569,823)	19,387,327

CAPITAL ALLIANCE HIGH YIELD FUND
STATEMENT OF FINANCIAL POSITION
As At

	As at 30.09.2024 Unaudited Rs.	As at 31.03.2024 Audited Rs.
Assets		
Cash and cash equivalents	268,957	361,692
Financial assets at amortized cost - Investment in Reverse Repurchase Agreements	37,082,192	135,257,579
Financial assets at amortized cost - Investment in Commercial Paper	81,812,926	50,427,941
Financial assets at amortized cost - Investment in Debentures	15,141,978	24,491,484
Financial assets at amortized cost - Fixed Deposits	59,155,077	26,324,322
Financial assets at amortized cost - Trust Certificates	53,614,613	-
Less - Provision For Impairment	(20,151,761)	(8,055,961)
Other receivable	20,164	47
Total assets	226,944,146	228,807,104
Liabilities		
Management Fees payable	(163,340)	(174,820)
Trustee Fees payable	(28,312)	(30,302)
Custodian Fees payable	(23,808)	(24,602)
Audit Fees payable	(5,904)	(11,789)
Consultancy Fee Payable	(107,600)	(90,100)
Payable on Unit Creation	(16,000)	(10,000)
Other payable	-	(101,476)
Total liabilities	(344,964)	(443,089)
Net assets	226,599,182	228,364,015
Unitholders' Fund		
Net assets attributable to unitholders	226,599,182	228,364,015

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

	30.09.2024 Unaudited Rs.	30.09.2023 Unaudited Rs.
Unitholders' funds at the beginning of the period	228,364,015	179,645,412
Total comprehensive income/ (expense) for the period	(569,823)	19,387,327
Received on creation of Units	79,929,953	116,476,526
Paid on redemption of Units	(81,124,963)	(146,421,941)
Net decrease due to Unitholders' transactions	(1,195,010)	(29,945,415)
Unitholders' funds at the end of the period	<u>226,599,182</u>	<u>169,087,324</u>

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

	30.09.2024	30.09.2023
	Unaudited	Unaudited
	Rs.	Rs.
Cash flows from operating activities		
Interest received	17,851,535	15,545,590
Net movement in investments	(15,142,425)	15,666,265
Operating expenses paid	(1,491,246)	(1,085,528)
Net Movement in other receivable	(20,104)	(213,575)
Net Movement in other payable	(95,485)	-
Net cash flows generated from operating activities	1,102,275	29,912,751
Cash flows used in financing activities		
Cash received on creation of Units	79,929,953	116,476,526
Cash Paid on redemption of Units	(81,124,963)	(146,421,941)
Net cash flows used in financing activities	(1,195,010)	(29,945,415)
Net decrease in cash and cash equivalents	(92,735)	(32,664)
Cash and cash equivalents at the beginning of the period	361,692	1,811,577
Cash and cash equivalents at the end of the period	268,957	1,778,913

CAPITAL ALLIANCE HIGH YIELD FUND
RECONCILIATION BETWEEN THE NET ASSET VALUE AS PER FINANCIAL STATEMENTS
AND THE PUBLISHED NET ASSET VALUE

	As at 30.09.2024 Unaudited Rs.	As at 31.03.2024 Audited Rs.
Net asset value as per financial statements	226,599,182	228,364,015
Additional/ (Reversal) of impairment provision	3,924,862	(8,170,937)
Published net asset value	<u>230,524,044</u>	<u>220,193,078</u>
Number of units outstanding	5,785,704.54	5,815,653.48
Published net asset value per Unit	<u>39.8437</u>	<u>37.8621</u>

**CAPITAL ALLIANCE HIGH YIELD FUND
PORTFOLIO STATEMENT**

	30.09.2024	31.03.2024	% of Deposited Property	
	Rs.	Rs.	Sep-24	Mar-24
Assets				
Cash and cash equivalents	268,957	361,692	0.12%	0.16%
Financial assets at amortized cost - Investment in Reverse Repurchase Agreements	37,082,192	135,257,579	16.36%	59.23%
Financial assets at amortized cost - Investment in Commercial Paper	81,812,926	50,427,941	36.10%	22.08%
Financial assets at amortized cost - Investment in Debentures	15,141,978	24,491,484	6.68%	10.72%
Financial assets at amortized cost - Fixed Deposits	59,155,077	26,324,322	26.11%	11.53%
Financial assets at amortized cost - Trust Certificates	53,614,613	-	23.66%	0.00%
Less - Provision For Impairment	(20,151,761)	(8,055,961)	-8.89%	-3.53%
Other receivable	20,164	47	0.01%	0.00%
Total assets	226,944,146	228,807,104	100.15%	100.19%
Liabilities				
Management Fees payable	(163,340)	(174,820)	-0.07%	-0.08%
Trustee Fees payable	(28,312)	(30,302)	-0.01%	-0.01%
Custodian Fees payable	(23,808)	(24,602)	-0.01%	-0.01%
Audit Fees payable	(5,904)	(11,789)	0.00%	-0.01%
Consultancy Fee Payable	(107,600)	(90,100)	-0.05%	-0.04%
Payable on Unit Creation	(16,000)	(10,000)	-0.01%	0.00%
Other payables	-	(101,476)	0.00%	-0.04%
Total liabilities	(344,964)	(443,089)	-0.15%	-0.19%
Net Assets	226,599,182	228,364,015	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 2024 have been followed in preparation of above financial statements.

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