



Capital Alliance Quantitative Equity Fund

Interim Financial Statements For The Six Months Ended 30 September 2020

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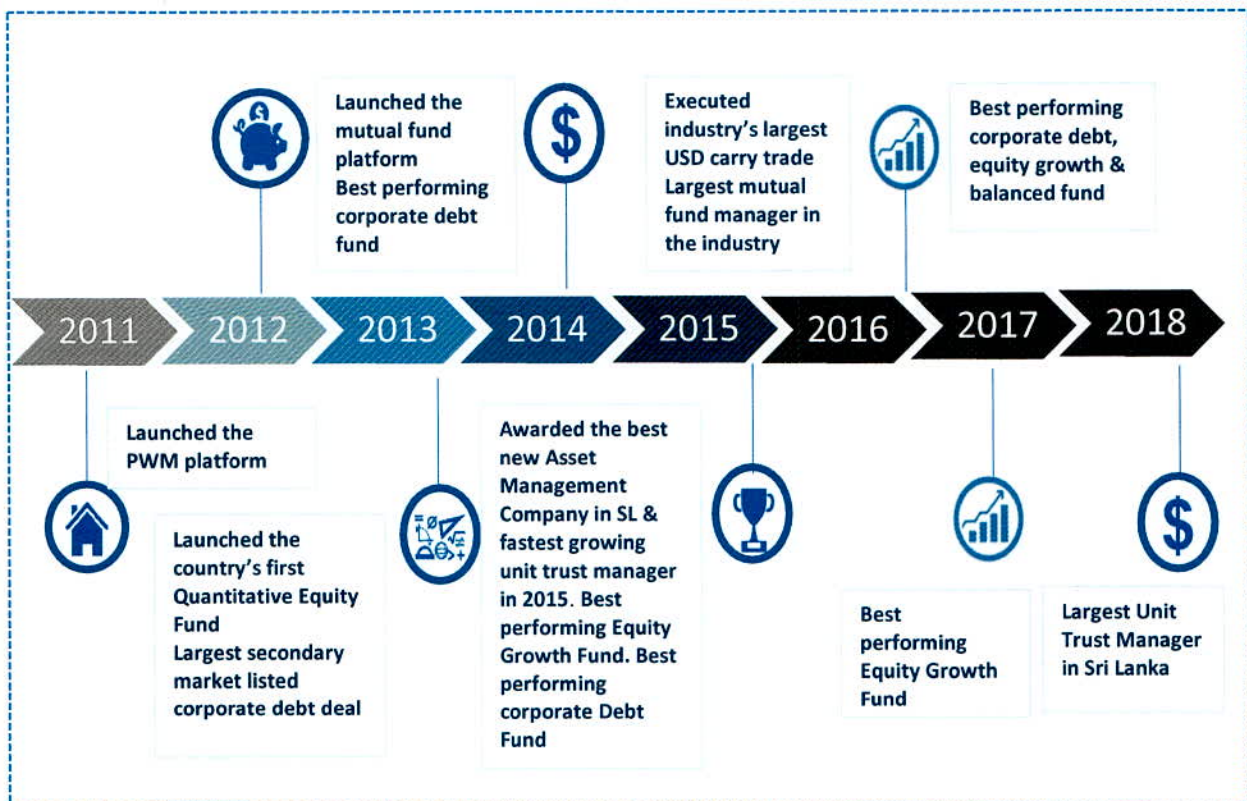
Capital Alliance Investments Limited

Capital Alliance Investments Ltd (CALI) has established itself as a leading wealth manager in Sri Lanka as evidenced by its Unit Trust Assets under Management of over LKR 32Bn (as at 30 Sept 2020), 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'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.

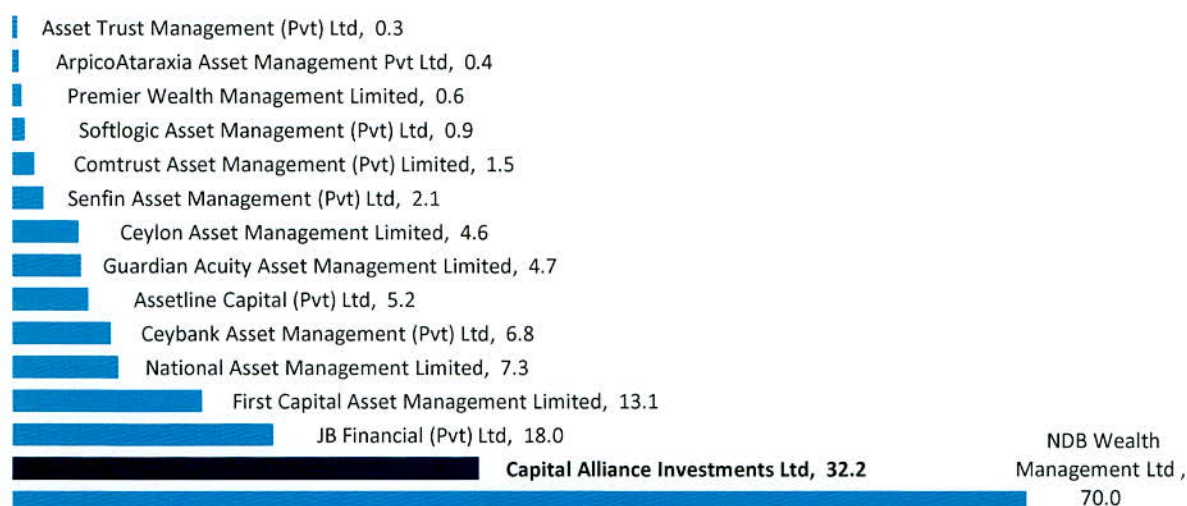
We specialize in originating, trading and investing: in fixed income and equity securities. Our focus on providing innovative solutions tailored to meet the needs of our customers has enabled us to build a reputation as "the Preferred Partner in Financial Markets."



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.

CALI 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: www.utasl.lk

*As at 30 Sept 2020

Economic Review

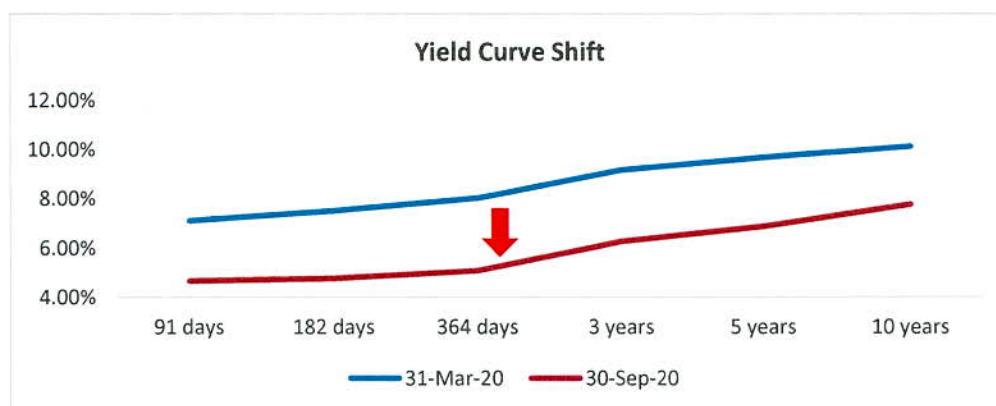
Interest rate review

The commencement of FY 20/21 was challenging as is, with the whole Western province of Sri Lanka, being under strict curfew, due to the break-out of Co-Vid 19 pandemic. And with this, during the first half of FY 20/21, the economic activity and Private sector credit growth came to an almost standstill. Private Sector Credit Growth grew by only 0.9% in this period, while GDP stood at (16.3)% YoY in 2Q2020, and 1.5% YoY in 3Q2020.

The Government of Sri Lanka was thereby rendered to bring down the policy rates, in order to try to rekindle the economy; they had to continue their easing stance till the economy showed signs of pick up.

The Standard Deposit Facility Rate, and the Standard Lending Facility rate was brought down by 175bps in the first half of FY 20/21, while the Statutory Reserve ratio (SRR) was brought down by 200bps and the bank rate by 650bps; all actions which attempts to stimulate the economic activity.

This policy rate reduction was indefinitely reflected in the Government securities bond market, where rates fell by approx. 295bps for the 364 day T-bill, and similarly across all tenures.



Sri Lanka, continuing its stance on inflation targeting (4-6%), managed to maintain their CCPI and NCPI average core inflation at 3.0% and 4.1% in the first half of FY 20/21, with the main contributor being food inflation.

An interesting action taken by the Government of Sri Lanka in April 2020, was the extension of six month moratoriums to all loans, of citizens affected by the Co-Vid 19 pandemic and lockdown circumstances.

This stretched out the bank and finance company's liquidity position at the start of the first half of FY 20/21. However, with the reduction in SRR, the market liquidity improved by the end of this period.

The Government also encouraged banks to provide working capital loans at 4% to those businesses under friction from the lockdown. For this, the government subsidized an additional 4% of the interest rates for these loans, where the banks would then be able to finance these loans at an approximate rate of 8%.

To line up with our interest rate call, we have made investments up to tenures in which we see that there will be a turnaround in domestic interest rates. Thereby, we try to achieve the alpha return into the CAL unit trust funds, with the calculated credit risks being on the lower end, as we still are in a period of severe uncertainty, country-wise and global-wise.

External Economy and Other

The LKR depreciated against the USD by approx. (1.6)% during the first half of FY 20/21.

There was a restriction placed by the Government of Sri Lanka on the dollar outflows of the country. Imports were banned but could be bought into the country through a six months credit period. Corresponding to this, was the weakening USD due to severe money printing under the CARES Act of 2020.

Collectively, these resulted in a limited LKR depreciation impact in the first half of FY 20/21.

The gross reserves of the country fell by 11.5% in the first half of FY 20/21, owing to Sovereign bond & SLDB repayments, and to foreigners exiting their holdings in the equity and domestic government bond markets. Foreigners exited their domestic government bond holdings by a whopping (67.9)% in this period.

At the outset of FY 20/21, Fitch downgraded Sri Lanka to 'B-' from 'B'; while their outlook remained negative, mainly based on the hardships of raising external finance for Sri Lanka and widening country budget deficits. And by the end of the first half of FY 20/21, Moody's downgraded Sri Lanka by two notches; from B2 to Caa1, on the similar bases.

The Fund Management Team

Fund Review

Fund Update

Yield*	-11.5%
AUM- 30 Sep 2020**	LKR 397.7 Mn
Fund Currency	LKR
Inception Date	02-Jan-13

* Year to Date For the period, 01 January 2020 to 30 September 2020. Yield Net of fees.

** Assets Under Management

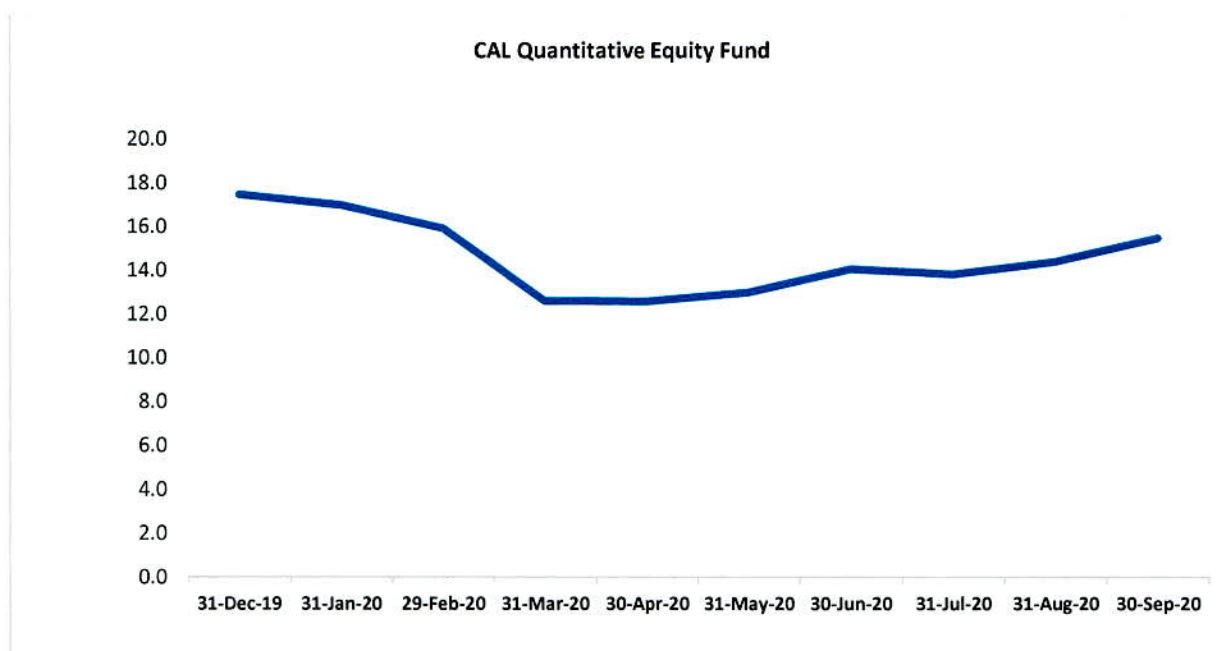
Fund Overview

The CAL QE fund is targeted towards Investors who wants to have an exposure to equity.

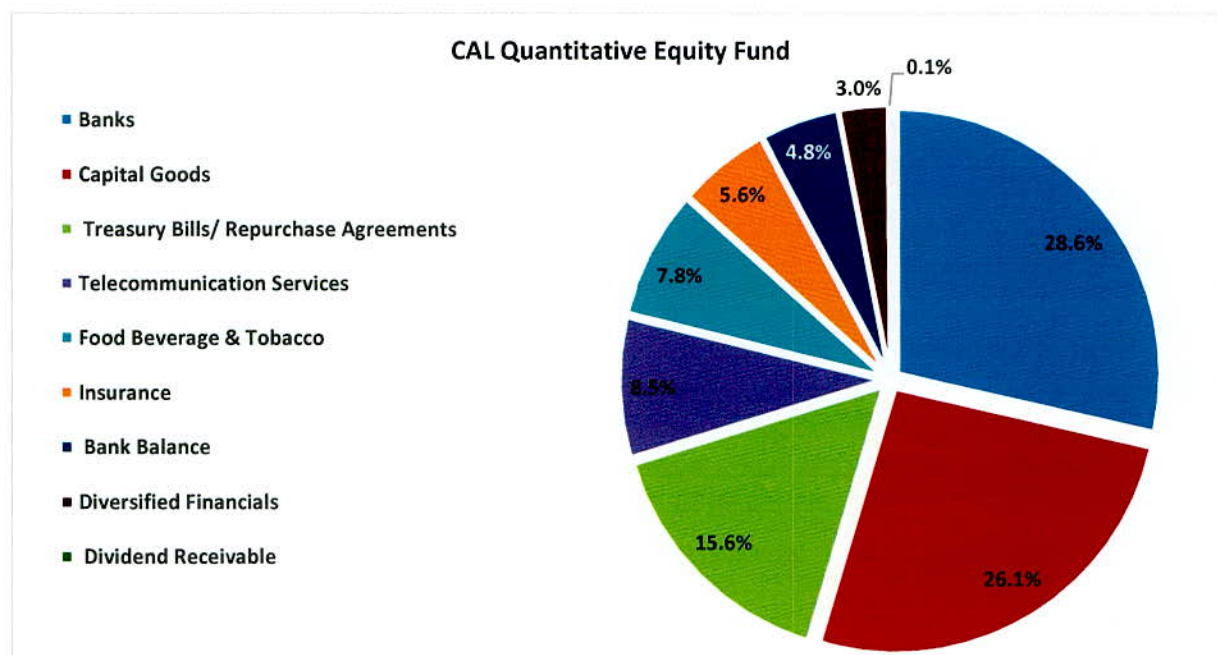
Fund Performance

The fund returned a Year to Date return of -11.5% (01 January 2020 to 30 September 2020) for the nine months ended September 2019 compared to the ASPI return of -2.4%.

CAL Quantitative Equity Fund Unit Price



Portfolio Asset Allocation



As at 30 Sep 2020

CAPITAL ALLIANCE QUANTITATIVE EQUITY FUND
STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR SIX MONTHS PERIOD ENDED 30th SEPTEMBER,

	2020	2019
	Unaudited	Unaudited
	Rs.	Rs.
Income		
Interest from Reverse Repurchase Investments	2,116,523	1,455,304
Interest from Treasury bonds	445,382	954,552
Dividend Income	6,502,085	1,110,361
Interest from savings account	119,768	112,991
Total Investment Income	<u>9,183,758</u>	<u>3,633,208</u>
Net Realized Gain on Treasury Bonds	-	921,798
Net Realized Gain on Shares	(14,245,868)	131,928
Net Unrealized Gain/ (Loss) on Financial Assets Held For Trading	83,798,290	(5,586,626)
Expenses		
Management Fees	(2,553,015)	(1,145,184)
Trustee Fees	(413,588)	(193,671)
Custodian Fees	(129,601)	(138,377)
Audit Fees	(67,677)	(78,859)
Brokerage Fees	(2,622,951)	(2,805,619)
Bank Charges	(8,126)	(16,300)
Tax consultancy Fee	(39,493)	-
	<u>(5,834,451)</u>	<u>(4,378,011)</u>
Profit Before Tax	72,901,729	(5,277,703)
Income Tax Expense	-	-
Net Profit After Tax for the Period	<u>72,901,729</u>	<u>(5,277,703)</u>
Total Comprehensive Income for the Period	<u>72,901,729</u>	<u>(5,277,703)</u>
Increase/(Decrease) in Net Assets Attributable to Unit Holders	<u>72,901,729</u>	<u>(5,277,703)</u>

CAPITAL ALLIANCE QUANTITATIVE EQUITY FUND
STATEMENT OF FINANCIAL POSITION


AS AT	30.09.2020 Unaudited Rs.	31.03.2020 Audited Rs.
Assets		
Cash and Cash Equivalent	19,774,436	329,690
Financial Assets at Amortized cost – Investment in Reverse Repurchase Agreements	64,890,258	82,872,907
Financial Assets Held For Trading – Investment in Shares	330,828,624	227,838,382
Dividend Receivable	424,605	923,085
Income Tax Receivable	1,031,576	1,031,577
Other Receivable	-	1,169,384
	416,949,499	314,165,024
Liabilities		
Management Fees Payable	1,361,491	12,848
Trustee Fees Payable	220,562	2,081
Custody Fees Payable	65,154	708
Audit Fees Payable	203,312	135,635
Consultancy Fee Payable	13,479	-
Other Payable	16,359,482	-
	18,223,480	151,272
Net Assets	398,726,019	314,013,752
Unit Holders' Funds:		
Net Assets Attributable to Unit Holders	398,726,019	314,013,752

The Manager is responsible for these Financial Statements and these Financial Statements was approved by the Manager.

Signed for and on behalf of the Manager by;


.....
DIRECTOR

MANAGEMENT COMPANY


.....

DIRECTOR

MANAGEMENT COMPANY

**CAPITAL ALLIANCE QUANTITATIVE EQUITY FUND
STATEMENT OF MOVEMENT IN UNIT HOLDERS' FUNDS**

FOR THE SIX MONTHS PERIOD ENDED SEPTEMBER 30, 2020

	Rs.
Unit Holders Funds as at 01 st April 2019	80,538,596
Total Comprehensive Income/(Expense) for the Period	(5,277,703)
Movement due to Creation and Redemption of Units	
Received on Creation of Units	284,525,986
Payments on Cancellation of Units	(135,591)
Net Increase in Unit Holders Funds during the period from Investment Activities	<u>284,390,396</u>
Unit Holders Funds as at 30th September 2019	<u>359,651,289</u>
Unit Holders Funds as at 01 st April 2020	314,013,752
Total Comprehensive Income for the Period	72,901,729
Movement due to Creation and Redemption of Units	
Received on Creation of Units	12,010,310
Payments on Cancellation of Units	(199,773)
Net Increase in Unit Holders Funds during the period from Investment Activities	<u>11,810,538</u>
Unit Holders Funds as at 30th September 2020	<u>398,726,019</u>

CAPITAL ALLIANCE QUANTITATIVE EQUITY FUND
STATEMENT OF CASHFLOWS

FOR THE SIX MONTHS PERIOD ENDED 30th SEPTEMBER

	2020	2019
	Unaudited	Unaudited
	Rs.	Rs.
Cash Flows from Operating activities		
Interest received	2,439,477	2,350,193
Dividends received	7,000,565	728,584
Other income received	119,768	116,816
Operating expenses paid	(4,121,725)	(3,291,971)
Net (investment)/sale of shares	(33,437,821)	(246,024,314)
Net investment (in)/upliftment of Govt Sec & repurchase agreements	18,105,080	(40,228,818)
Net Cash generated from /(Used in) Operating Activities	<u>(9,894,656)</u>	<u>(286,349,510)</u>
Cash Generated from / (used in) Financing Activities		
Cash received on creation of units	29,539,174	289,346,778
Cash Paid on Redemption of Units	(199,772)	(135,590)
Net Cash Generated from / (used in) Financing Activities	<u>29,339,402</u>	<u>289,211,188</u>
 Net Increase/(Decrease) in Cash and Cash Equivalents	 19,444,746	 2,861,678
 Cash and Cash Equivalents at the beginning of the period	 <u>329,690</u>	 <u>563,515</u>
Cash and Cash Equivalents at the end of the period	<u>19,774,436</u>	<u>3,425,193</u>

CAPITAL ALLIANCE QUANTITATIVE EQUITY FUND
RECONCILIATION BETWEEN NET ASSET VALUE AS PER FINANCIAL STATEMENTS AND THE
PUBLISHED NET ASSET VALUE

AS AT,	30.09.2020 Rs.	31.03.2020 Rs.
Net Asset Value as per Financial Statements	398,726,019	314,013,752
Income Tax Receivable	<u>(1,031,576)</u>	<u>(1,031,576)</u>
Published Net Asset Value	<u>397,694,446</u>	<u>312,982,178</u>
No. of units outstanding	25,496,579.96	24,699,686.03
Published Net Asset Value per Unit	<u>15.5980</u>	<u>12.6715</u>

**CAPITAL ALLIANCE QUANTITATIVE EQUITY FUND
PORTFOLIO STATEMENT**

	30.09.2020 Rs.	31.03.2020 Rs.	% of Deposited Property	
			Sep	Mar
Investments				
Cash and Cash Equivalent	19,774,436	329,690	4.96%	0.10%
Financial Assets – Investment in Reverse Repurchase Agreements	64,890,258	82,872,907	16.27%	26.39%
Financial Assets – Held For Trading	330,828,624	227,838,382	82.97%	72.56%
Dividend Receivable	424,605	923,085	0.11%	0.29%
Other Receivable	-	1,169,384	-	0.37%
Income Tax receivables	1,031,576	1,031,577	0.26%	0.32%
Accrued Expenses	(18,223,480)	(151,272)	(4.57)%	(0.05%)
	398,726,019	314,013,752	100.00%	100.00%

Notes to the Financial Statements

The above figures are subject to audit. The same accounting policies as in the Audited Financial Statements for the year ended 31st March 2020 have been followed in preparation of above financial statements

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. S. Wijesinha	Director
Mr. W. D. P De Mel	Director
Mr K. S. C. P. K. Gunasinghe	Director