



Capital Alliance Balanced Fund

Interim Financial Statements For The Six Months Ended 30 September 2020

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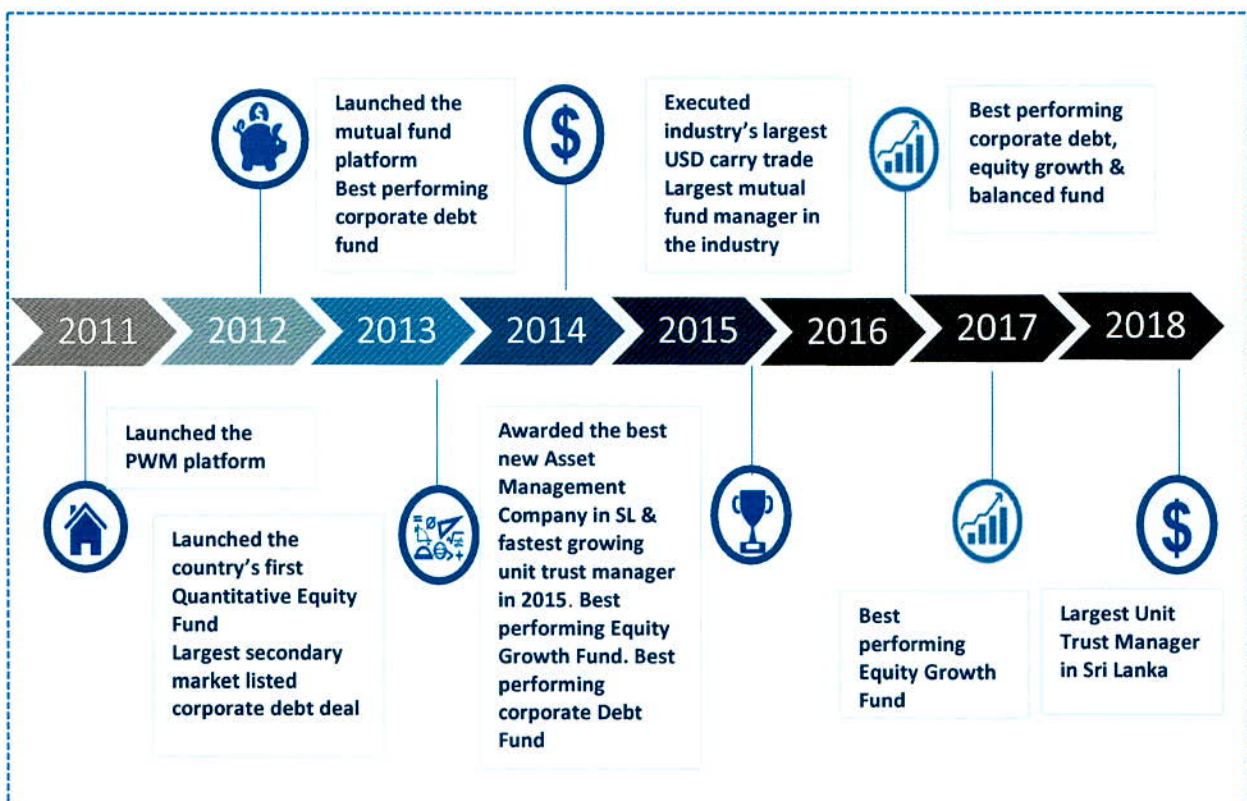
Capital Alliance Investments Limited

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.

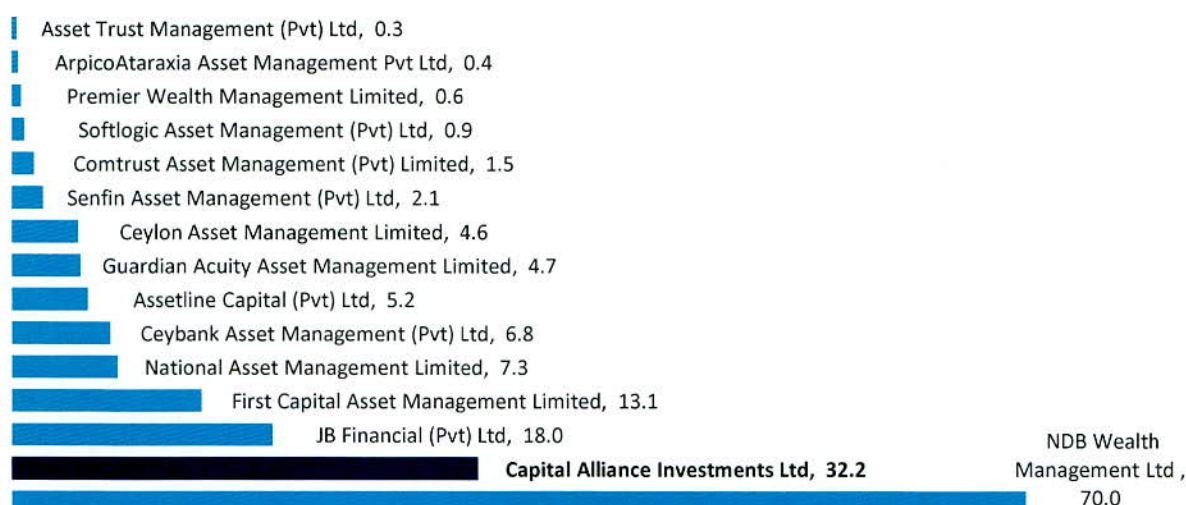
We specialize in originating, trading and investing: in fixed income and equity securities. Our focus on providing innovative solutions tailored to meet the needs of our customers has enabled us to build a reputation as "the Preferred Partner in Financial Markets."



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

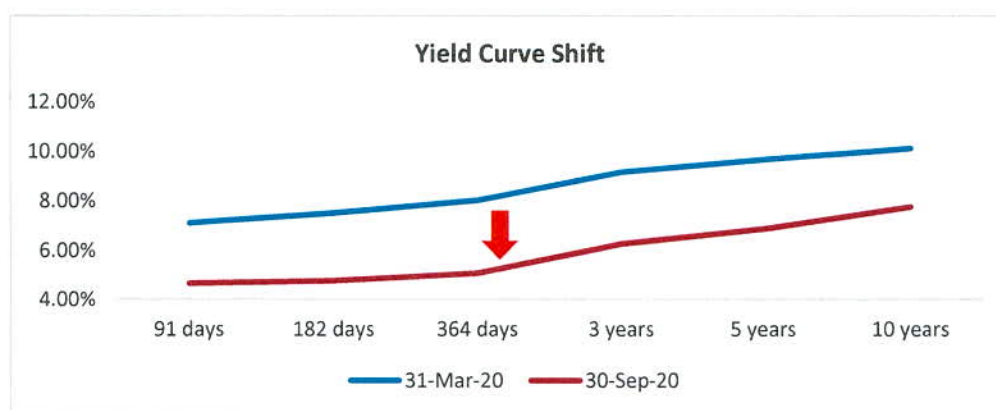
Interest rate review

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*	-29.2%
Assets Under Management - 30 Sep 2020**	LKR 305,001.99
Fund Currency	LKR
Inception Date	30-Jan-15

* *Year-To-Date yield for the period, 01 January 2020 to 30 September 2020. Yield Net of fees. The fund was in the process of being dormant. To improve the negative return, a fee accrual will be reimbursed back into the fund.

**Assets Under Management

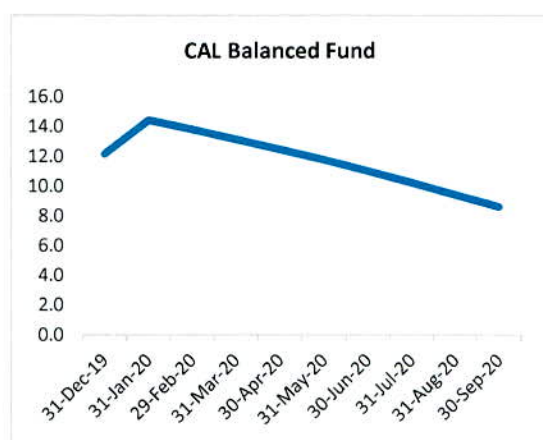
Fund Overview

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

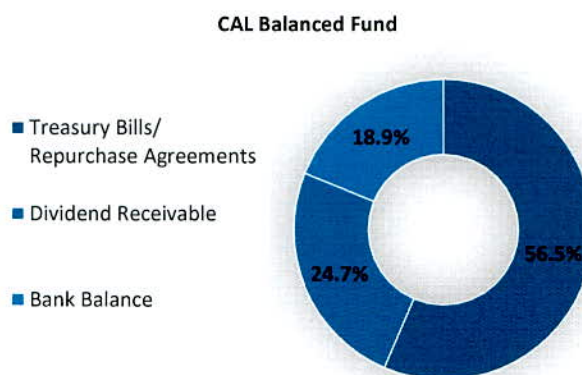
Fund Performance

The fund returned a Year-to-Date return of -29.2% (01 January 2020 to 30 September 2020) for the nine months ended September 2020 compared to the ASPI return of (-2.4%). The fund was in the process of being dormant. To improve the negative return, a fee accrual will be reimbursed back into the fund.

CAL Balanced Fund Unit Price



Portfolio Asset Allocation



As at 30 Sep 2020

CAPITAL ALLIANCE BALANCED 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 on Reverse Repurchase Agreements	7,836	72,113
Interest on Fixed Deposits	-	842,258
Interest on Commercial Papers	-	287,625
Dividend Income	-	412,652
Interest from Savings Account	2,221	23,526
Total Investment Income	<u>10,057</u>	<u>1,638,174</u>
Net Change in Realized Gain/ (Loss) on Financial Assets through Profit or loss	-	(1,145,855)
Net Change in Unrealized Gain/ (Loss) on Financial Assets through Profit or loss	<u>-</u>	<u>3,307,495</u>
	<u>-</u>	<u>2,161,640</u>
Reversal of Impairment	-	28,933
Expenses		
Management Fees	(2,918)	(260,093)
Trustee Fees	(630)	(58,648)
Custodian Fees	(162,001)	(172,973)
Tax Consultancy Fee	(4,493)	-
Brokerage Fees	-	(126,248)
Bank Charges	-	(14,050)
	<u>(170,042)</u>	<u>(632,013)</u>
Profit/(Loss) Before Tax	<u>(159,985)</u>	<u>3,196,735</u>
Income Tax Expense	-	-
Net Profit/(Loss) for the Period	<u>(159,985)</u>	<u>3,196,735</u>
Total Comprehensive Income/(Expense) for the Period	<u>(159,985)</u>	<u>3,196,735</u>
Increase/(Decrease) in Net Assets Attributable to Unit Holders	<u>(159,985)</u>	<u>3,196,735</u>

CAPITAL ALLIANCE BALANCED FUND
STATEMENT OF FINANCIAL POSITION

AS AT,	30.09.2020 Unaudited Rs.	31.03.2020 Audited Rs.
Assets		
Cash and Cash Equivalent	184,516	181,330
Financial Assets – Amortized Cost		
Investments - Repurchase Agreements	552,471	536,629
Dividend Receivables	241,554	241,554
Income Tax Receivable	8,215	8,215
Other Receivables	35	
	986,791	967,728
Liabilities		
Accrued Expenses		
Management Fees payable	331,903	328,986
Trustee Fees payable	997	363
Custodian Fees payable	327,193	165,193
Consultancy Fee payable	13,480	-
	673,573	494,542
Net Assets	313,218	473,186
Unit Holders' Funds		
Net Assets Attributable to Unit Holders	313,218	473,186

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 BALANCED 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	50,791,102
Total Comprehensive Income for the Period	3,196,735
Movement due to Creation and Redemption of Units	
Received on Creation of Units	19,824,949
Payments on Cancellation of Units	(73,298,499)
Net Decrease in Unit Holders Funds during the period from Investment Activities	(53,473,550)
Unit Holders Funds as at 30th September 2019	514,287
Unit Holders Funds as at 01 st April 2020	473,186
Total Comprehensive Income/(Expense) for the Period	(159,985)
Movement due to Creation and Redemption of Units	
Received on Creation of Units	3,000
Payments on Cancellation of Units	(2,983)
Net Increase in Unit Holders Funds during the period from Investment Activities	17
Unit Holders Funds as at 30th September 2020	313,218

**CAPITAL ALLIANCE BALANCED FUND
STATEMENT OF CASHFLOWS**

FOR THE SIX MONTHS PERIOD ENDED 30th SEPTEMBER

	2020 Unaudited Rs.	2019 Unaudited Rs.
Cash Flows from Operating activities		
Interest income Received	7,836	2,162,906
Dividend Received		412,652
Other income Received	2,221	23,526
Management fees and trustee fees paid	-	507
Net investment (in)/upliftment of Fixed Deposits		206,00,000
Net Investment (In)/ Upliftment of Treasury Bills Repurchase Agreements		3,674,651
Net Investment (in)/Upliftment of Commercial Paper		6,000,000
Net Settlement of Investment in Shares		20,813,776
Other Expenses Paid	(6,888)	(554,824)
Net Cash generated from Operating Activities	3,169	53,133,194
Cash Flows from Financing Activities		
Cash Received on Creation of Units	3,000	19,824,949
Cash Paid on Redemption of Units	(2,983)	(73,298,499)
Net Cash from/ (used in) Financing Activities	17	(53,473,550)
 Net Increase/(Decrease) in Cash and Cash Equivalents	 3,186	 (340,357)
Cash and Cash Equivalents at the beginning of the period	181,330	517,114
Cash and Cash Equivalents at the end of the period	184,516	176,757

CAPITAL ALLIANCE BALANCED 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	313,218	473,186
Income Tax receivable	(8,215)	(8,215)
Other adjustments	1	(2)
Published Net Asset Value	<u>305,004</u>	<u>464,969</u>
 No. of units outstanding	 35,432.23	 35,432.23
 Published Net Asset Value per Unit	 <u>8.6081</u>	 <u>13.1228</u>

**CAPITAL ALLIANCE BALANCED FUND
PORTFOLIO STATEMENT**

AS AT	30.09.2020	31.03.2020	% of Deposited	
	Rs.	Rs.	Property	
Portfolio			Sep	Mar
Cash and Cash Equipment	184,516	181,330	58.91%	38.32%
Reverse Repurchase Agreements	552,471	536,629	176.39%	113.41%
Dividend Receivables	241,554	241,554	77.12%	51.05%
Income Tax Receivable	8,215	8,215	2.62%	1.74%
Other Receivable	35	-	0.01%	-
	986,791	967,728	315.05%	204.51%
Liabilities				
Accrued Expenses	673,573	494,542	(215.05)%	(104.51)%
	673,573	494,542	(215.05)%	(104.51)%
Net Assets				
	313,218	473,186	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 Information

BOARD OF DIRECTORS

Mr. Ajith Fernando
Mrs. Sharmali Perera
Mr. Deshal De Mel
Mr. Anushka Wijesinha
Mr. Chaminda Pushpa Kumara
Gunasinghe

UNIT TRUST MANAGEMENT COMPANY

**Capital Alliance Investments
Limited**

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Colombo 2

TRUSTEE & CUSTODIAN

Deutsche Bank AG

86 Galle Road,
Colombo 3

AUDITORS

**Ernst and Young
Chartered Accountant**

201, De Saram Place
Colombo 10

TAX CONSULTANTS

Amarasekara & Company

12, Rotunda Gardens,
Colombo 3