



Capital Alliance Corporate Debt And Gilt Trading Fund

Interim Financial Statements For The Six Months Ended 30 September 2020

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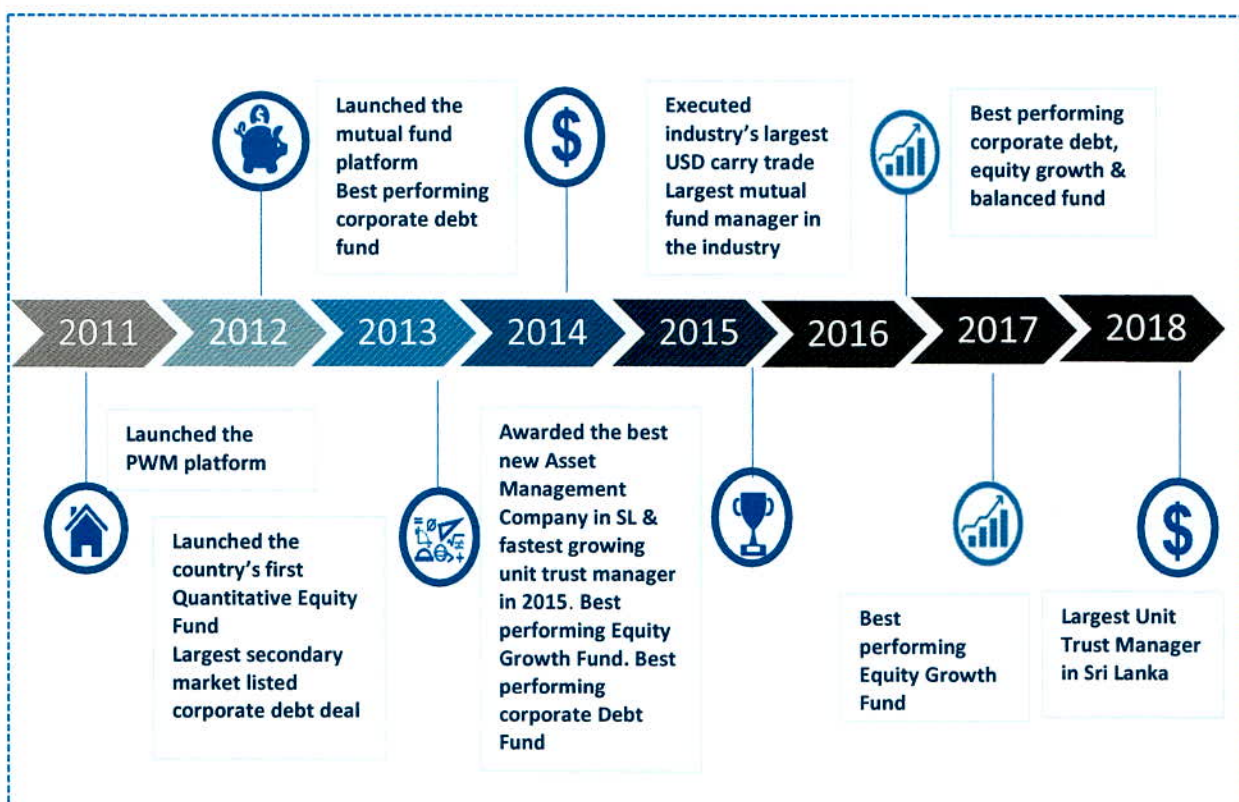
Capital Alliance Investments Limited

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.

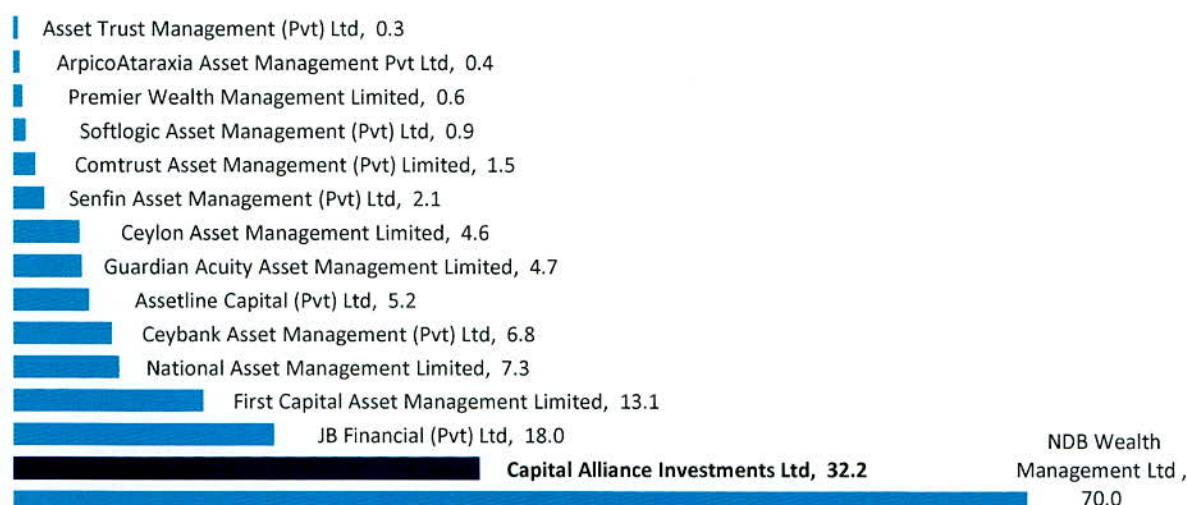
We specialize in originating, trading and investing: in fixed income and equity securities. Our focus on providing innovative solutions tailored to meet the needs of our customers has enabled us to build a reputation as "the Preferred Partner in Financial Markets."



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.utasi.lk

*As at 30 Sept 2020

Economic Review

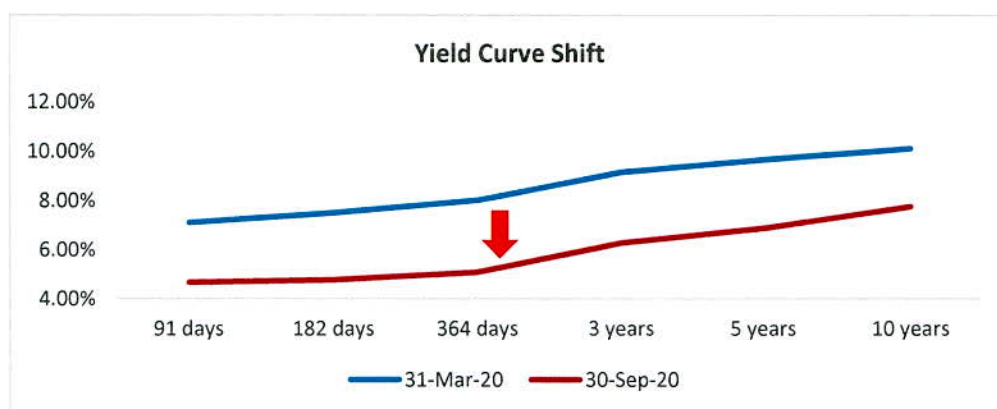
Interest rate review

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*	9.4%
Assets Under Management- 30 Sep 2020**	LKR 563 Mn
Fund Currency	LKR
Inception Date	05-Dec-13

*Annualized Yield For the period, 01 April 2020 to 30 September 2020. Yield Net of fees.

**Assets Under Management

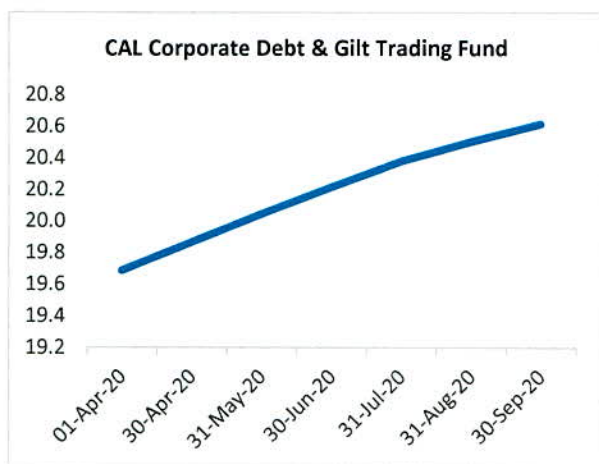
Fund Overview

The CAL Corporate Debt and Gilt Trading Fund is an open-ended fixed income fund that invests in Government securities, Corporate Debt, Securitized papers and deposits issued by Banks and Finance Companies. The Fund is suitable for investors looking for regular interest income, liquidity and a competitive risk adjusted yield.

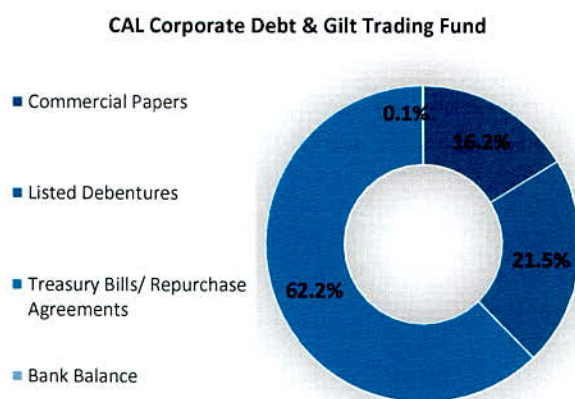
Fund Performance

The fund's returned an annualized yield of 9.4% for the six months ended September 2020.

CAL Corporate Debt & Gilt Trading Fund Unit Price



Portfolio Asset Allocation



As at 30 Sep 2020

CAPITAL ALLIANCE CORPORATE DEBT AND GILT TRADING FUND
STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

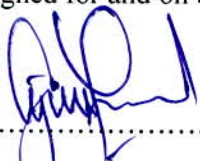
FOR SIX MONTHS PERIOD ENDED 30 th SEPTEMBER,	2020	2019
	Unaudited Rs.	Unaudited Rs.
Income		
Interest from Reverse Repurchase Agreements	5,322,254	1,210,534
Interest from Debentures	7,898,710	11,605,714
Interest from Commercial Papers	13,030,057	10,506,299
Interest from Fixed Deposits	1,372,220	8,706,350
Interest from Savings	7,051	34,579
Total Investment Income	27,630,292	32,063,476
Impairment reversal	302,228	261,907
Expenses		
Management Fees	(1,380,432)	(1,338,536)
Trustee Fees	(596,343)	(603,653)
Custodian Fees	(129,601)	(138,377)
Audit Fees	(75,153)	(106,187)
Bank Charges	(11,372)	(8,400)
Tax Consultancy Fee	(39,492)	-
	(2,232,394)	(2,195,153)
Net Profit Before Tax	25,700,127	30,130,230
Income Tax Expense	-	-
Net Profit After Tax for the Period	25,700,127	30,130,230
Increase in Net Assets Attributable to Unit Holders	25,700,127	30,130,230

CAPITAL ALLIANCE CORPORATE DEBT AND GILT TRADING FUND
STATEMENT OF FINANCIAL POSITION


AS AT	30.09.2020 Unaudited Rs.	31.03.2020 Audited Rs.
Assets		
Cash and Cash Equivalent	604,478	182,531
Financial Assets at Amortized Cost		
Investment in Debentures	121,238,356	121,195,034
Investment in Repurchase Agreement	350,916,436	104,763,331
Investment in Commercial Papers	91,315,637	203,218,467
Investment in Fixed Deposits	-	110,368,466
Provision for Impairment	(190,915)	(493,145)
	563,279,514	539,052,153
Income Tax Receivable	775,085	775,085
	564,659,077	540,009,770
Liabilities		
Management Fees Payable	230,276	437,591
Trustee Fees Payable	99,479	189,040
Custody Fees Payable	21,246	42,492
Audit Fees Payable	225,766	150,612
Other Account Payable	107,323	-
Consultancy Fee Payable	13,479	
	697,569	819,735
Net Assets	563,961,508	539,190,034
Unit Holders' Funds:		
Net Assets Attributable to Unit Holders	563,961,508	539,190,034

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 CORPORATE DEBT AND GILT TRADING 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	538,110,313
Total Comprehensive Income for the Period	30,130,230
Movement due to Creation and Redemption of Units	
Received on Creation of Units	220,000
Payments on Cancellation of Units	<u>(60,000,154)</u>
Net Decrease in Unit Holders Funds during the period from Investment Activities	<u>(59,780,154)</u>
Unit Holders Funds as at 30th September 2019	<u>508,460,389</u>
Unit Holders Funds as at 01 st April 2020	539,190,034
Total Comprehensive Income for the Period	25,700,127
Movement due to Creation and Redemption of Units	
Received on Creation of Units	202,000
Payments on Cancellation of Units	<u>(1,130,652)</u>
Net Decrease in Unit Holders Funds during the period from Investment Activities	<u>(928,652)</u>
Unit Holders Funds as at 30th September 2020	<u>563,961,508</u>

CAPITAL ALLIANCE CORPORATE DEBT AND GILT TRADING FUND
STATEMENT OF CASHFLOWS

FOR THE SIX MONTHS PERIOD ENDED 30th SEPTEMBER

	2020 Unaudited Rs.	2019 Unaudited Rs.
Cash Flows from Operating activities		
Interest and other income received	46,539,483	28,197,339
Management fees and trustee fees paid	(2,273,652)	(2,385,408)
Other Expenses Paid	(188,085)	(372,256)
Other Income received	7,054	36,403
Net Upliftment in Debentures	-	106,739,702
Net investment in repurchase agreements	(246,322,643)	(41,871,583)
Net investment/Sale in Commercial Papers	102,588,442	164,664,791
Net investment/Sale in Fixed deposits	101,000,000	164,664,791
Net Cash generated from Operating Activities	<u>1,350,599</u>	<u>59,702,255</u>
Cash Flows from Financing Activities		
Cash Received on Creation of Units	202,000	220,000
Cash Paid on Redemption of Units	(1,130,652)	(60,000,154)
Net Cash used in Financing Activities	<u>(928,652)</u>	<u>(59,780,154)</u>
 Net Increase/(Decrease) in Cash and Cash Equivalents	 421,947	 (77,898)
 Cash and Cash Equivalents at the beginning of the period	 <u>182,531</u>	 <u>363,944</u>
Cash and Cash Equivalents at the end of the period	<u>604,478</u>	<u>286,046</u>

CAPITAL ALLIANCE CORPORATE DEBT AND GILT TRADING 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	563,961,508	539,190,034
Income Tax Receivable	(775,085)	(775,085)
Impairment Provision	190,915	493,145
Published Net Asset Value	<u>563,377,338</u>	<u>538,908,092</u>
 No. of units outstanding	 27,332,243.16	 27,378,660.82
Published Net Asset Value per Unit	<u>20.6122</u>	<u>19.6835</u>

**CAPITAL ALLIANCE CORPORATE DEBT AND GILT TRADING FUND
PORTFOLIO STATEMENT**

AS AT	30.09.2020	31.03.2020	% of Deposited	
	Rs.	Rs.	Property	
			Sep 20	Mar 20
Investments				
Investment in Debentures	121,238,356	121,195,034	21.50%	22.48%
Investment in Repurchase Agreement	350,916,436	104,763,331	62.22%	19.43%
Investment in Commercial Papers	91,315,637	203,218,467	16.19%	37.69%
Investment in Fixed Deposits	-	110,368,466	-	20.47%
Provision for Impairment	(190,915)	(493,145)	(0.03)%	(0.09)%
Cash and Cash Equivalent	604,478	182,531	0.11%	0.03%
Income Tax Receivable	775,085	775,085	0.13%	0.14%
Accrued Expenses	(697,569)	(819,735)	(0.12)%	(0.15)%
	563,961,508	539,190,034	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

Level 5, "Millennium House",
46 / 58 Nawam Mawatha,
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