

NATIONAL EQUITY FUND

Interim Report

For the Six months ended 30th September 2021

National Asset Management Limited

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Interim Report 2021

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Dear Investor,

We take pleasure in presenting the interim report of the National Equity Fund (NEF) for the six-months ended 30th September 2021.

Performance Review

NEF reported a growth of 9.25% for the six-month period ended September 2021, while the All Share Price Index (ASPI) and the S&P Sri Lanka 20 Index (S&P SL20) increased by 32.84% and 24.02% respectively.

The fund's total investment income declined to LKR 198.45 Mn in 1H FY22 compared to LKR 383.62 Mn a year earlier. The drop in income was mainly due to the unrealised loss on financial assets amounting to LKR 15.55 Mn as opposed to an unrealized profit of LKR 387.26 Mn the previous period. During the six-month period, NEF reported a net profit of LKR 167.22 Mn compared to LKR 364.82 Mn.

Market Review

The ASPI index recorded gains of 32.84% and the S&P SL20 index gained 24.02% during the six-month period ending September, despite the impact of the third wave of Covid-19 and resultant island-wide lockdowns. Active participation from local HNIs, institutions and retail investors drove market sentiment while five IPOs were launched during the period. Foreign participation continued on the selling side recording a net outflow of LKR 27.2 Bn for the six-month period.¹

The benchmark 12-month Treasury Yields increased during 1H FY22 and stood at 7.01%. The increase was led by CBSL tightening its monetary policy stance by raising the SDFR & SLFR by 50 bps to address the external sector imbalances of the economy and prevent excessive inflationary pressures in the medium term. Private sector credit growth was recorded at 6.4% over the five-month period ending August, on the back of higher demand for short term credit as the economy recovers.²

The Sri Lankan economy recorded a GDP growth rate of 12.3% YoY for 2Q 2021, supported by the low base. All sectors grew in 2Q 2021 on a YoY basis while the industries sector recorded the highest growth of 22.1% YoY aided by the low base. The services sector which accounts for ~60% of GDP grew the least by 7.5% YoY supported by sub activities such as IT programming consultancy and related activities (24.2%), transportation of goods and passengers including ware housing (20.4%) and telecommunication (19.6%). The agriculture sector recorded a growth of 8.1% as the activities in the sector continued during the lockdown period. The sector growth was steered by marine fishing (24.7%), animal production (18.0%) and growing of rubber (15.7%). On the external sector, the trade deficit widened by 71.3% YoY to USD 586 Mn in August 2021. The increase in trade deficit was mainly attributed to the increase in fuel, textiles & textile articles and machinery & equipment import expenditure, despite the continuation of certain import restrictions imposed by the government. Earnings from tourism in August was recorded at ~USD 7Mn compared to no earnings a year earlier as global travel is affected by the pandemic induced restrictions. Workers' remittances decreased 32.8% YoY to USD 447 Mn in August. The overall BoP position upto August 2021 posted a deficit of USD 2,423 Mn.³

Portfolio Composition

The Fund has a 76% allocation to equity, a 17% allocation to fixed deposits and commercial papers and the remainder in debentures and money market.

NEF's highest equity concentrations are in Capital Goods, Banks and Consumer Durables and Apparels sectors.

Sincerely,
The Fund Management Team
01st November 2021

¹ CSE

² CBSL Policy Rates, Monetary_Policy_Review_No_7_2021

³ Department of Census and Statistics, CBSL and External Sector Performance August 2021.

Performance Comparison

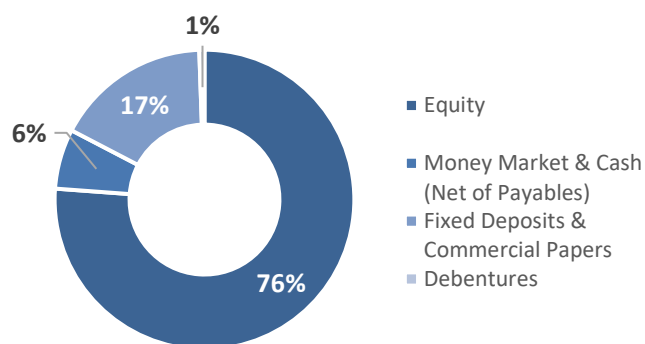
	6M* (%)	12M (%)	60M (%)	120M (%)
ASPI	32.84	58.07	44.76	39.45
S&P SL 20	24.02	43.50	(2.28)	3.05
NDBIB-CRISIL 91-Day Index	2.24	4.53	45.51	N/A
Benchmark **	26.72	47.36	44.91	N/A
NEF	9.25	28.81	6.42	59.12

(Non-annualised returns)

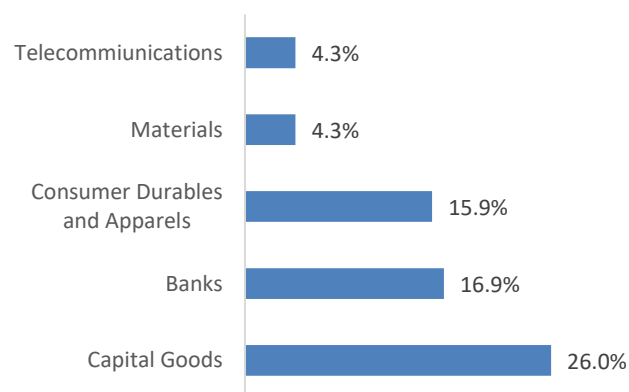
* Six month period ending 30th September 2021

** Benchmark-80% ASPI & 20% NDBIB-CRISIL 91-Day Index
(NDBIB-CRISIL 91-Day Index is not available for 120M)

Asset Allocation



Top 5 Sector Allocations



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STATEMENT OF COMPREHENSIVE INCOME
For the Six month period ended 30 September 2021

	Notes	2021 Rs.	2020 Rs.
INVESTMENT INCOME			
Dividend income	10.1	27,817,263	23,680,657
Interest income	10.2	13,952,807	21,538,542
Realised (losses)/gains on financial assets held at fair value through profit or loss	6.4	172,234,492	(48,862,340)
Unrealised (losses) /gains on financial assets held at fair value through profit or loss	6.5	(15,553,787)	387,265,830
Total investment income		<u>198,450,775</u>	<u>383,622,689</u>
EXPENSES			
Management and Registrar fees		(16,995,877)	(13,033,201)
Trustee fees		(2,097,777)	(1,608,669)
Audit fee and expenses		(270,331)	(270,331)
Bank charges		(1,250)	(16,700)
Professional charges		-	-
Sundry expenses		(785,694)	-
Brokerage Expense		(11,004,576)	(3,594,656)
Consultancy fees		(72,699)	(274,500)
Total operating expenses		<u>(31,228,204)</u>	<u>(18,798,057)</u>
Net operating profit/(loss)		167,222,571	364,824,632
PROFIT/(LOSS) AFTER DEDUCTIONS AND BEFORE TAX			
		167,222,571	364,824,632
Income tax expense		-	-
PROFIT/(LOSS) AFTER DISTRIBUTIONS AND TAX			
		<u>167,222,571</u>	<u>364,824,632</u>
INCREASE/(DECREASE) IN NET ASSETS ATTRIBUTABLE TO UNIT HOLDERS			
		<u>167,222,571</u>	<u>364,824,632</u>
Net Increase /(Decrease) in Unit holders' Funds Due to Investment Activities		<u>-</u>	<u>-</u>

STATEMENT OF FINANCIAL POSITION

As at 30 September 2021

ASSETS	Notes	2021 Rs.	2020 Rs.
Cash and cash equivalents		48,330,472	47,837,240
Financial assets - Fair value through profit or loss	6	1,521,517,639	1,411,484,878
Financial assets - Debt instruments at amortised cost	7	415,419,105	284,761,141
Accrued income and other receivables	8	8,885,693	7,807,916
Income tax recoverable		28,733,032	28,708,032
Total assets		<u>2,022,885,940</u>	<u>1,780,599,206</u>
UNIT HOLDERS' FUNDS & LIABILITIES			
LIABILITIES			
Accrued expenses	9	<u>11,107,117</u>	<u>34,094,240</u>
Total Liabilities (Excluding net assets attributable to Unit Holders)		<u>11,107,117</u>	<u>34,094,240</u>
UNIT HOLDERS' FUNDS			
Net assets attributable to Unit Holders		<u>2,011,778,824</u>	<u>1,746,504,966</u>
		<u>2,022,885,940</u>	<u>1,780,599,206</u>

Signed on behalf of the Management Company



.....
Director



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Director

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STATEMENT OF CHANGES IN UNITHOLDERS' FUNDS
For the Six month period ended 30 September 2021

	2021	2020
	Rs.	Rs.
UNIT HOLDERS' FUNDS AT THE BEGINNING OF THE PERIOD	1,936,930,463	1,393,156,675
Increase/ (decrease) in net assets attributable to Unit Holders	167,222,571	364,824,632
Received on unit creations	2,163,666	4,351,071
Payments on unit redemptions	(94,537,876)	(15,827,412)
Income distribution to unit holders	-	-
UNIT HOLDERS' FUNDS AT THE END OF THE PERIOD	<u><u>2,011,778,824</u></u>	<u><u>1,746,504,966</u></u>

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Notes To the Accounts

For the period ended 30th September 2021

NOTES TO THE ACCOUNTS

1

All figures are unaudited. Where necessary comparative figures have been adjusted to confirm with the changes in presentation in the current period.

2 Income is recognised on accrual basis.

3 There are no material Contingent Liabilities or contingent Assets which require disclosure in the financial statements.

4 No circumstances have arisen since the Balance Sheet date, which would require adjustments or disclosure in the Financial Statements.

	2021	2020
5 Net Assets Value per Unit	35.32	27.42
No. of units as at 30th September	56,142,823.7	62,642,620.7

NOTES TO THE FINANCIAL STATEMENTS

For the Six month period ended 30 September 2021

FINANCIAL ASSETS - FAIR VALUE

6 THROUGH PROFIT OR LOSS

	2021 Rs.	2020 Rs.
Quoted equity securities (6.1)	1,488,060,407	1,354,217,101
Unquoted equity securities (Note 6.2)	22,435,628	19,893,554
Debt securities - quoted debentures (6.3)	11,021,605	37,374,223
	<u>1,521,517,639</u>	<u>1,411,484,878</u>

6.1 Quoted equity securities

Cost as at 30 September	1,397,698,075	1,408,013,910
market value quoted equity securities	90,362,332	(53,796,809)
Market Value as at 30 September	<u>1,488,060,407</u>	<u>1,354,217,101</u>

6.1.1 Company	Number of Shares	2021		Number of Shares	2020	
		Market Value Rs.	Holdings as a % of Net Asset Value		Market Value Rs.	Holdings as a % of Net Asset Value
Banks						
National Development Bank PLC	243,703	18,618,909	1%	347,173	30,898,397	2%
Nations Trust Bank PLC	458,999	26,254,743	1%	605,914	37,566,668.00	2%
Hatton National Bank PLC - Voting	786,250	110,861,250	6%	551,650	70,059,550	4%
Sampath Bank PLC	2,559,572	133,097,744	7%	638,441	84,274,212	5%
Union Bank of Colombo PLC	-	-	0%	4,726,849	51,995,339	3%
Commercial Bank of Ceylon PLC	600,906	50,776,557	3%	183,698	14,677,470	1%
		<u>339,609,203</u>	<u>18%</u>		<u>289,471,636</u>	<u>17%</u>
Capital Goods						
Access Engineering PLC	3,754,352	86,350,096	4%	2,091,029	49,348,284	3%
ACL Cables PLC	1,612,810	69,512,111	3%	-	-	0%
Hemas Holdings PLC	2,017,022	142,603,455	7%	1,852,022	138,346,043	8%
John keels holdings PLC	710,964	106,466,859	5%	341,000	45,898,600	3%
Lanka Tiles PLC	1,362,775	94,849,140	5%	501,675	46,906,613	3%
Vallibel One PLC	374,523	23,257,878	1%	-	-	0%
		<u>523,039,539.70</u>	<u>26%</u>		<u>280,499,540</u>	<u>16%</u>
Consumer Durables & Apparels						
Hayleys -MGT Knitting Mills PLC	2,996,366	103,973,900	5%	1,584,257	41,190,682	2%
Textured Jersey Lanka PLC	4,891,071	215,207,124	11%	5,195,979	181,339,667	10%
		<u>319,181,024.20</u>	<u>16%</u>		<u>222,530,349</u>	<u>13%</u>

Food Beverage & Tobacco

Ceylon Tobacco CO. PLC	-	-	0%	16,300	15,760,470	1%
Ceylon Cold Stores PLC	106,210	62,132,850	3%	106,210	70,608,408	4%
Lion Brewery Ceylon PLC	15,900	8,896,050	0%	-	-	0%
Sunshine Holdings PLC	-	-	0%	1,210,016	69,091,914	4%
		<u>71,028,900</u>	<u>3%</u>		<u>155,460,792</u>	<u>9%</u>

Food & Staples Retailing

Cargills Ceylon PLC	196,538	45,400,278	2%		-	0%
		<u>45,400,278</u>	<u>2%</u>		<u>-</u>	<u>0%</u>

Health Care Equipment & Services

Asiri Hospital Holdings PLC	-	-	0%	6,287,522	131,409,210	7%
The Lanka Hospital Corporation PLC	-	-	-	-	-	0%
		<u>-</u>	<u>0%</u>		<u>131,409,210</u>	<u>7%</u>

Insurance

Softlogic Life Insurance PLC	583,318	17,674,535	1%		-	0%
		<u>17,674,535</u>	<u>1%</u>		<u>-</u>	<u>0%</u>

Materials

Alumex PLC	1,446,600	17,503,860	1%		-	0%
Dipped Products PLC	1,004,900	58,887,140	3%		-	0%
JAT Holdings PLC	420,000	9,240,000	0%		-	0%
Non Voting	-	-	0%	3,423,360	150,627,840	7%
		<u>85,631,000</u>	<u>4%</u>		<u>150,627,840</u>	<u>7%</u>

Telecommunication Services

Dialog Axiata PLC	8,008,882	86,495,926	4%	10,008,882	112,099,478	6%
		<u>86,495,926</u>	<u>4%</u>		<u>112,099,478</u>	<u>6%</u>

Utilities

Laugfs Power PLC-Non Voting	-	-	0%	663,000	3,712,800	0%
Laugfs Power PLC- Voting	-	-	0%	1,218,182	8,405,456	0%
		<u>-</u>	<u>0%</u>		<u>12,118,256</u>	<u>1%</u>

**Total value of quoted equity
(At Market Value)**

<u>1,488,060,407</u>	74%	<u>1,354,217,101</u>	78%
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NOTES TO THE FINANCIAL STATEMENTS

For the Six month period ended 30 September 2021

6 FINANCIAL ASSETS - FAIR VALUE THROUGH PROFIT OR LOSS (Contd...)

6.2 Unquoted equity securities

	2021	2020
	Rs.	Rs.
Cost as at 30 th September	17,493,837	17,493,837
Depreciation of market value unquoted equity securities	4,941,791	2,399,716.68
Market Value as at 30 th September	<u>22,435,628</u>	<u>19,893,554</u>

6.2.1 Company	2021			2020		
	Number of Shares	Market Value Rs.	Holdings as a % of Net Asset Value	Number of Shares	Market Value Rs.	Holdings as a % of Net Asset Value
Laughs Leisure Limited	1,318,182	4,613,637	0.2%	1,318,182	4,495,001	0%
Laughs Leisure Limited - NV	663,000	1,982,370	0.1%	663,000	1,922,700	0.1%
Laughs Eco Limited	1,318,182	11,085,911	0.6%	1,318,182	9,438,183	0.5%
Laugfs Eco Limited - NV	663,000	4,753,710	0.2%	663,000	4,037,670	0.2%
		<u>22,435,628</u>	<u>1.1%</u>		<u>19,893,554</u>	<u>1.0%</u>

6.3 Quoted debentures

	2021			2020		
	Cost Rs.	Market Value Rs.	Holding as a % of Net Asset Value	Cost Rs.	Market Value Rs.	Holding as a % of Net Asset Value
Seylan Bank PLC	5,000,000	5,525,230	0%	5,000,000	5,811,163	0%
Access Engineering PLC	-	-	0%	25,000,000	26,107,199	1%
Sampath Bank PLC	5,000,000	5,496,375	0%	5,000,000	5,455,861	0%
	<u>10,000,000</u>	<u>11,021,605</u>	<u>1%</u>	<u>35,000,000</u>	<u>37,374,223</u>	<u>2%</u>

6.4 Realised (losses)/gains on financial assets at fair value through profit or loss	2021 Rs.	2020 Rs.
Equity securities		
Proceeds on sale of equity shares	569,470,484	86,565,241
Average cost of equity shares sold	<u>(397,235,992)</u>	<u>(135,427,581)</u>
	<u>172,234,492</u>	<u>(48,862,340)</u>

6.5 Unrealised (losses)/gains on financial assets held at fair value through profit or loss

Equity securities	(15,197,087)	386,744,566
Debt securities	<u>(356,700)</u>	<u>521,264</u>
	<u>(15,553,787)</u>	<u>387,265,830</u>

7 FINANCIAL ASSETS - DEBT INSTRUM

	2021		2020	
	Carrying Value Rs.	Holding as a % of Net Asset Value	Carrying Value Rs.	Holding as a % of Net Asset Value
7.1 Investments in commercial papers				
Softlogic Holdings PLC	171,133,724	8%	149,134,172	8%
LOLC Holdings	41,885,619	2%	-	-
LB Finance PLC	-	0%	20,731,855	1%
	<u>213,019,343</u>	<u>11%</u>	<u>169,866,027</u>	<u>10%</u>
7.2 Investments in Fixed Deposits				
Siyapatha Finance PLC	120,172,246	6%	114,040,680	6%
	<u>120,172,246</u>	<u>6%</u>	<u>114,040,680</u>	<u>6%</u>
7.3 Investment in Money Market Savings				
Money Market Savings - NDB	81,339,093	4%		
Money Market Savings - HNB	888,422	0%	854,434	0%
	<u>82,227,515</u>	<u>4%</u>	<u>854,434</u>	<u>0%</u>
	<u>415,419,105</u>	<u>21%</u>	<u>284,761,141</u>	<u>15%</u>

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8 ACCRUED INCOME AND OTHER RECEIVABLES

	2021	2020
	Rs.	Rs.
Dividend receivable	7,914,434	5,932,803
Receivable on unit creations	971,259	1,057,896
Placement fee receivable	-	75,617
CDS receivable	-	741,600
	<u>8,885,693</u>	<u>7,807,916</u>

9 ACCRUED EXPENSES AND OTHER PAYABLES

	2021	2020
	Rs.	Rs.
Fund management and registrar fee payable	8,547,817	6,889,661
Trustee fee payable	1,055,045	850,381
Audit fee	288,798	811,274
Payable on unit redemptions	19,553	19,553
Other payable	993,207	999,800
CDS Payable	-	23,778,971
Consultancy fees payable	202,699	744,600
	<u>11,107,117</u>	<u>34,094,240</u>

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NOTES TO THE FINANCIAL STATEMENTS

For the Six month period ended 30 September 2021

	2021	2020
	Rs.	Rs.
10 INVESTMENT INCOME		
10.1 Dividend income	<u>27,817,263</u>	<u>23,680,657</u>
10.2 Interest income		
Interest on fixed deposits	3,097,677	6,511,108
Interest on commercial papers	9,779,687	11,353,661
Interest on debentures	635,486	1,914,993
Interest on savings account	225,981	391,224
Interest on money market savings -HNB	16,524	1,291,940
Interest on money market savings-NDB	197,452	-
Placement fee income	-	75,617
	<u>13,952,807</u>	<u>21,538,542</u>

**11 RECONCILIATION BETWEEN THE NET ASSET VALUE AS PER FINANCIAL STATEMENT
AND THE PUBLISHED NET ASSET VALUE**

	2021
	Rs.
Net Asset Value as per Financial Statement	2,011,778,824
Income Tax receivable	<u>(28,733,032)</u>
Published Net Asset Value	<u>1,983,045,792</u>
Number of units outstanding	56,142,824
Published Net Asset Value per Unit	<u>35.32</u>

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CORPORATE INFORMATION

Trustee & Custodian	Deutsche Bank AG 86 ,Galle Road Colombo 03
Auditors	BDO Partners Chartered Accountants "Charter House" 65/2,Sir Chittampalam Gardiner Mawatha, Colombo 2.
Bankers	Deutsche Bank AG 86, Galle Road Colombo 03
Lawyers	F J & G De Saram Attorneys-at-Law & Notries Public 216, De Saram Place Colombo 10
Managers & Registrars	National Asset Management Limited (NAMAL) No. 07 , Glen Aber Place, Colombo 03

National Asset Management Limited

Board of Directors (As of 30th September 2021)

Mr. Alexis Lovell	Chairman
Mr. Indrajit Wickramasinghe	Director
Mr. Wijenanada Dambawinne	Director
Mr. Suren Madhanayake	Director
Ms. Khoo Siew Bee	Director
Mr.Kapila Nanayakkara	Director
Mr.Ravi Dasanayake	Director
Mr.Rusiru Abeyasinghe	Director

Management Team

Mr.Rusiru Abeyasinghe	Chief Executive Officer
Mr.Charana Jayasuriya	Chief Operating Officer
Ms.Kajalaksi Pavalanathan	Manager Compliance
Mr.Shashi Jayawardena	Head of Wealth Management
Ms. Subashini Jeganathan	Finance Manager
Ms. Jennita Fernando	Head of Research
Mr. Kevin Gosset	Manager Operation