

NAMAL HIGH YIELD FUND

Interim Report

For the Six months ended 30th September 2016

**National Asset Management Limited
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Interim Report 2016

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Dear Investor,

We take pleasure in presenting the interim report of the NAMAL High Yield Fund (NHYP) for the six months ended 30th September 2016.

Performance review

The NHYP generated an annualised return of 10.10% for the six month period under review, 8.97% over 12 months, and 7.66% over 24 months. Interest income increased 5.16% to Rs. 264.86m. The fund recorded a profit of Rs. 223.57m for the six months under review, an increase of 8.37% YoY.

Market Review

The Central Bank adopted a tighter monetary policy stance for 1HFY17 ending its loose monetary policy stance that was initiated in December 2012. In January 2016 the Central Bank revised up the Statutory Reserve Ratio (SRR) by 150bp to 7.5%. This was followed by the Standing Deposit Facility Rate (SDFR) and Standing Lending Facility Rate (SLFR) also being revised up by 100bp each, 50bp in February, followed by a further 50bp in July to end at 7.00% and 8.50% respectively. As a result, short term yield curve displayed an upward shift with the Benchmark 12 month Treasury bill auction yield increasing by 21 basis points to 10.11% over the six month period under review. FI's were net sellers during the period with foreign holdings of government securities as a percentage of total government securities decreasing by 40bp to end at 6.7% as of 30th September 2016 from 7.1% in December 2015.

On the economic front, the Balance of Payment improved recording a surplus of USD 356.0m in the first seven months of the year, compared to a deficit of USD 1.2b the prior year. Trade deficit widened by 0.7% to USD 4.8b, owing to a 5.6% YoY drop in export, which was partially offset by a 2.9% decline in imports. However, earnings from tourism and workers' remittances increased during the period by 16.7% YoY (USD 1.9b) and 3.8% YoY (USD 4.2b), respectively.

Portfolio Composition

The Portfolio is constructed to maximize returns by investing in high yielding corporate debt, which could be invested up to a maximum of 97% of assets. As at 30th September 2016, 55.51% of assets were invested in Commercial Paper, 36.51% in fixed deposits and 4.45% in Trust Certificates with the remainder in Government Securities.

Sincerely,

The Fund Management Team

15th November 2016

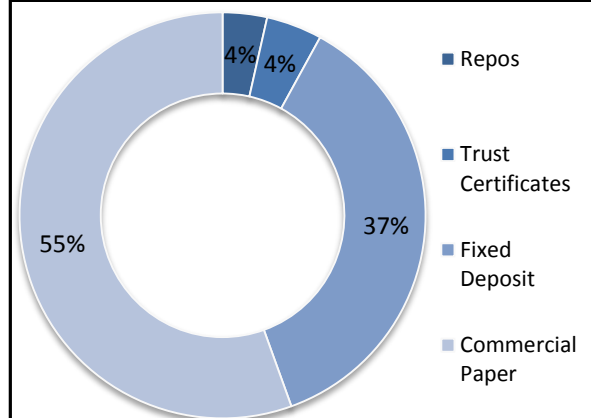
Performance Comparison

	6M* (%)	12M (%)	24M (%)
NHYP	10.10	8.97	7.66

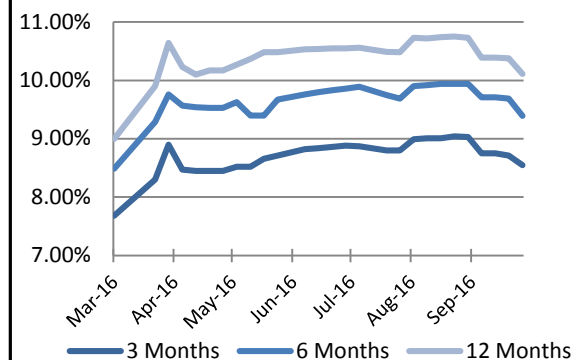
*Period ending 1st April 2016 - 30th September 2016

*Annualised returns

Asset Allocation



Treasury Bill rates



Source: Central Bank of Sri Lanka

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STATEMENT OF COMPREHENSIVE INCOME
For the 06 month period ended 30th September

	Note	2016 Rs. Mn.	2015 Rs. Mn.
INVESTMENT INCOME			
Interest income	10	264.86	251.85
Total Investment Income		264.86	251.85
EXPENSES			
Management and registrar fees		(11.99)	(16.61)
Trustee and custodian fees		(4.10)	(5.55)
Audit fees		(0.11)	(0.10)
Professional charges		-	-
Other expenses		(0.12)	(0.10)
Total operating expenses		(16.32)	(22.36)
NET OPERATING PROFIT/(LOSS)		248.54	229.50
FINANCE COST			
Distribution to Unit Holders		-	-
Interest expense		(0.13)	(0.28)
PROFIT AFTER DEDUCTIONS AND BEFORE TAX		248.41	229.22
Income tax expense		(24.84)	(22.92)
PROFIT AFTER TAX FOR THE PERIOD		223.57	206.30
COMPREHENSIVE INCOME			
UNREALIZED GAIN/LOSS		-	(0.06)
INCREASE IN NET ASSETS ATTRIBUTABLE TO UNIT HOLDERS		223.57	206.24

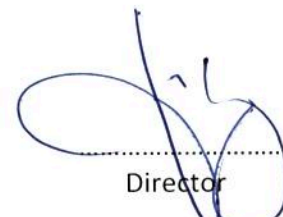
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STATEMENT OF FINANCIAL POSITION
As at 30th September

ASSETS	Note	2016 Rs Mn	2015 Rs Mn
Cash and cash equivalents		5.65	6.13
Financial assets -Loans and Receivables	07	3,285.14	6,731.81
Other Receivables	08	558.02	0.02
Income tax recoverable		4.99	2.72
TOTAL ASSETS		<u><u>3,853.80</u></u>	<u><u>6,740.67</u></u>
 UNIT HOLDERS' FUNDS & LIABILITIES			
LIABILITIES			
Accrued expenses	09	<u>559.63</u>	<u>3.96</u>
Total Liabilities (Excluding net assets attributable to Unit Holders)		559.63	3.96
 UNIT HOLDERS' FUNDS			
Net assets attributable to Unit Holders		3,294.17	6,736.71
		<u><u>3,853.80</u></u>	<u><u>6,740.68</u></u>

Signed on behalf of the Management Company


.....
Director


.....
Director

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STATEMENT OF CHANGES IN UNIT HOLDERS' FUNDS

For the 06 month period ended 30th September

	2016	2015
	Rs. Mn.	Rs. Mn.
UNIT HOLDER' FUNDS AT THE BEGINNING OF THE PERIOD	5,989.47	5,429.41
Increase in net assets attributable to unit holders	223.57	206.24
Unit Creations	10,207.62	2,677.88
Payment on unit redemption	(13,126.49)	(1,576.82)
UNIT HOLDERS' FUNDS AT THE END OF THE PERIOD	<u>3,294.17</u>	<u>6,736.71</u>

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NOTES TO THE FINANCIAL STATEMENTS

For the 06 month period ended 30th September

- 1 All figures are provisional and unaudited. Where necessary comparative figures have been adjusted to confirm with the changes in presentation in the current period.
- 2 Income is recognised on an accrual basis.
- 2 Interest on repurchase agreements is shown together with the applicable notional tax credit which is set off against the income tax payable by the fund.
- 3 The profit and income of the fund is liable for income tax at the rate of 10% for the year of assessment 2016/2017 as specified in part A of the second schedule to the Inland Revenue Act No. 10 of 2006.
- 4 There are no material Contingent Liabilities or contingent Assets which require disclosure in the financial statements.
- 5 No circumstances have arisen since the Balance Sheet date, which would require adjustments or disclosure in the Financial Statements.

	2016	2015
6 Net Asset value of a Unit as at September 30 (Rs.)	15.69	14.40
(Applicable to Units)	209,647,992.10	467,739,605.50

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NOTES TO THE FINANCIAL STATEMENTS

For the 06 month period ended 30th September

7. FINANCIAL ASSETS - LOANS AND RECEIVABLES	2016	2015
	Rs. Mn.	Rs. Mn.
7.1 Treasury Bills Repurchase Agreements		
Wealth Trust Securities Ltd	116.12	709.77
Commercial Bank	-	197.53
	<u>116.12</u>	<u>907.30</u>
7.2 Investment in Commercial Papers		
Dunamis Capital PLC	283.93	-
Lanka Orix Leasing Company PLC	285.34	-
First Capital Holdings PLC	344.97	425.33
Softlogic Holdings PLC	392.49	544.81
Softlogic Finance PLC	-	453.86
Softlogic Capital PLC	199.15	50.53
Janashakthi	-	527.11
MTD Walkers PLC	317.58	431.48
	<u>1,823.46</u>	<u>2,433.12</u>
7.3 Placement with other Trust Certificates		
Peoples Leasing	146.21	-
	<u>146.21</u>	<u>-</u>
7.4 Investment in Treasury Bills		
Capital Alliance	-	149.38
	<u>-</u>	<u>149.38</u>
7.5 Investment in Fixed Deposits		
Orient Finance	-	776.29
Central Finance	201.75	-
Lanka Orix Leasing Finance PLC	-	712.88
Merchant Bank of Sri Lanka	469.69	440.12
Sampath Bank	-	506.51
Union Bank	-	302.31
Commercial Leasing and Finance PLC	132.94	353.54
Commercial Credit and Finance Plc	-	150.37
Melsta Regal Finance PLC	394.97	-
	<u>1,199.35</u>	<u>3,242.02</u>
	<u>3,285.14</u>	<u>6,731.81</u>
8. OTHER RECEIVABLES	2016	2015
	Rs. Mn.	Rs. Mn.
Unit Creation Receivable	558.02	0.02
	<u>558.02</u>	<u>0.02</u>
9. ACCRUED EXPENSES	2016	2015
	Rs. Mn.	Rs. Mn.
Fund management fees payable	1.60	2.86
Trustee fee and Custodian fee payable	0.54	0.96
Audit fee payable	0.09	0.09
Redemption payable	557.39	0.06
	<u>559.63</u>	<u>3.96</u>
10. INTEREST INCOME	06 month period	06 month period
	30.09.2016	30.09.2015
	Rs. Mn.	Rs. Mn.
Interest on		
Treasury bill repurchase agreements (Note 12.1)	48.63	51.80
Treasury Bills	-	20.66
Treasury bond	-	1.25
Commercial papers	115.15	90.65
Savings account	0.13	0.16
Fixed deposits	98.74	87.33
Trust Certificates	2.21	-
	<u>264.86</u>	<u>251.85</u>

10.1 Interest on Treasury Bill Repurchase Agreements and Treasury bills have been accounted for gross of notional tax.

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CORPORATE INFORMATION

Trustee & Custodian	Deutsche Bank AG 86 ,Galle Road Colombo 03
Auditors	Ernst & Young Chartered Accountants 201, De Saram Place Colombo 10
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) Union Bank Building 64, Galle Road Colombo 03

National Asset Management Limited
Board of Directors (30th September 2016)

Mr. Alexis Lovell	Chairman
Mr. Indrajit Wickramasinghe	Director
Mr. Palitha Gamage	Director
Mr. Tyronne de Silva	Director
Mr. Malinda Samaratunga	Director
Mr. Wijenanada Dambawinne	Director
Mr. Suren Madhanayake	Director
Mr. Avancka Herat	Director
Ms. Khoo Siew Bee	Director