

NAMAL HIGH YIELD FUND

Interim Report

For the Six months ended 30th September 2021

National Asset Management Limited

07, Glen Aber Place

Colombo 03.

Phone : 2445911 Fax : 2445903 Email : info@namal.lk

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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 2021.

Performance review

The NHYP generated an annualised return of 5.83% for the period under review and 6.11% for the past 12 months. Interest income was LKR 228.94Mn and the fund recorded net operating profit of LKR 204.60Mn for the six months under review.

Market Review

The 3-month Treasury Yields increased from 5.05% to 6.70% during 1H FY22. 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.¹

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.²

Portfolio Composition

The Portfolio is constructed to maximize returns by investing in high yielding corporate debt. As at 30th September 2021, 38.1% of net assets were invested in Commercial Papers, 56.1% in Fixed deposits with the remainder in money market accounts.

Sincerely,
The Fund Management Team
01st November 2021

¹ CBSL Policy Rates, CBSL Weekly Indicators.

² Department of Census and Statistics, CBSL and External Sector Performance August 2021.

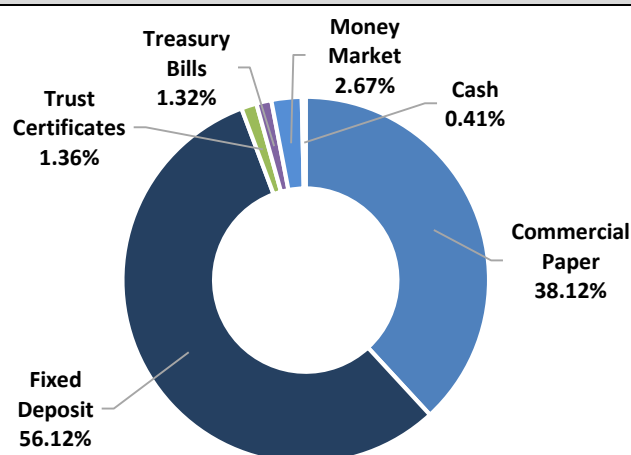
Performance Comparison

	6M* (%)	12M (%)	24M (%)
NHYF**	5.83%	6.11%	8.29%

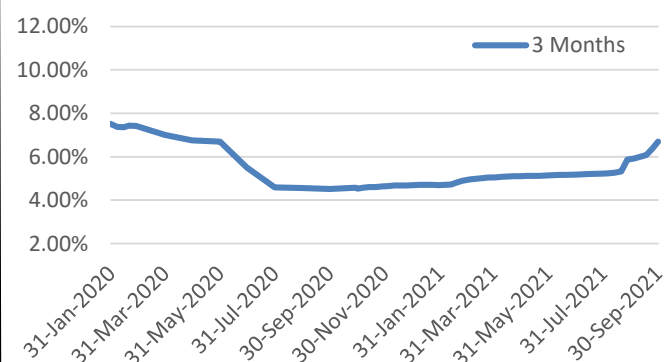
*Six months ending 30th September 2021

**Annualized Yield as at 30th September 2021

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	2021 Rs	2020 Rs
INVESTMENT INCOME			
Interest income	9.	228,939,360	136,640,082
Total Investment Income		228,939,360	136,640,082
EXPENSES			
Management fees		(18,094,983)	(7,450,062)
Trustee and custodian fee:		(5,992,730)	(2,543,776)
Audit fees		(132,803)	(132,803)
Bank Charges		(18,850)	(49,410)
Sundry Expenses		(49,526)	-
Consultancy fees		(50,137)	(274,500)
Total operating expense:		(24,339,029)	(10,450,551)
NET OPERATING PROFIT/(LOSS)		204,600,331	126,189,531
PROFIT AFTER DEDUCTIONS AND BEFORE TAX		204,600,331	126,189,531
PROFIT AFTER TAX FOR THE PERIOD		204,600,331	126,189,531
INCREASE IN NET ASSETS ATTRIBUTABLE TO UNIT HOLDERS		204,600,331	126,189,531

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STATEMENT OF FINANCIAL POSITION
As at 30th September

ASSETS	Note	2021 Rs	2020 Rs
Cash and cash equivalents		26,133,371	17,581,818
Financial assets -Debt instruments at amortised cost	6.	7,469,024,075	5,066,343,093
Other Receivables	7.	4,752,715	2,316,175
Income tax recoverable		5,081,418	5,081,418
TOTAL ASSETS		<u>7,504,991,580</u>	<u>5,091,322,504</u>
 UNIT HOLDERS' FUNDS & LIABILITIES			
LIABILITIES			
Accrued expenses	8.	5,593,258	4,112,810
Total Liabilities (Excluding net assets attributable to Unit Holders)		<u>5,593,258</u>	<u>4,112,810</u>
 UNIT HOLDERS' FUNDS			
Net assets attributable to Unit Holders		<u>7,499,398,323</u>	<u>5,087,209,694</u>
		<u>7,504,991,580</u>	<u>5,091,322,504</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

	2021	2020
	Rs	Rs
UNIT HOLDER' FUNDS AT THE BEGINNING OF THE PERI	7,719,010,447	2,760,832,240
Increase in net assets attributable to unit holde	204,600,331	126,189,531
Unit Creation:	7,825,539,892	6,157,878,018
Payment on unit redemptio	(8,249,752,347)	(3,957,690,095)
UNIT HOLDERS' FUNDS AT THE END OF THE PERIOD	<u>7,499,398,323</u>	<u>5,087,209,694</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.
- 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 Asset value of a Unit as at September 30 (Rs.)	25.70	24.22
No of Units as at 30th September	291,605,063.9	209,838,953.1

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NOTES TO THE FINANCIAL STATEMENTS

For the 06 month period ended 30th September

6. Financial assets -Debt instruments at amortised cost	2021	2020
	Rs	Rs
6.1 Investment in Commercial Papers		
Lanka Orix Leasing Company PLC	-	259,246,124
First Capital Holdings PLC	213,992,276	352,177,397
Softlogic Holdings PLC	1,069,414,737	675,272,967
Softlogic Capital PLC	447,588,780	305,747,242
LOLC Holding PLC	1,127,980,789	533,233,125
	<u>2,858,976,582</u>	<u>2,125,676,855</u>
6.2 Investment in Fixed Deposits		
Abans Finance PLC	254,961,859	-
Siyapatha Finance PLC	320,749,154	746,349,772
Merchant Bank of SriLanka PLC	612,473,665	42,838,809
Commercial Credit and Finance PLC	519,484,742	-
Commercial Leasing and Finance PLC	929,143,602	714,769,742
LOLC Development Finance PLC	1,154,195,383	-
LOLC Finance PLC	100,792,822	127,917,174
LB Finance PLC	-	108,118,479
National Development Bank PLC	250,684,932	-
Richard Peiris Finance LTD	66,439,874	-
People's Bank	-	140,040,274
HNB Finance PLC	-	717,746,818
	<u>4,208,926,033</u>	<u>2,597,781,068</u>
6.3 Investment in Money Market Savings		
Market Savings-NDB	12,631,977	341,566,617
Market Savings-HNB	206,204	201,461
Market Savings-DFCC	187,118,217	1,117,092
	<u>199,956,398</u>	<u>342,885,170</u>
6.4 Investment in T/Bills & Trust Certificates		
Treasury Bills	99,113,723	-
Trust Certificates	102,051,339	-
	<u>201,165,062</u>	<u>-</u>
	<u>7,469,024,075</u>	<u>5,066,343,093</u>
7. OTHER RECEIVABLES		
	2021	2020
	Rs	Rs
Unit Creation Receivable	-	108,377
Placement fee Receivable	4,752,715	2,207,798
	<u>4,752,715</u>	<u>2,316,175</u>

8. ACCRUED EXPENSES	2021	2020
	Rs	Rs
Fund management fees payable	3,155,221	2,037,016
Trustee fee and Custodian fee payable	1,043,596	681,297
Audit fee payable	143,384	398,837
Redemption payable	998,885	108,058
Other payable	112,035	115,665
Consultancy Fees payable	140,137	771,938
	<u>5,593,258</u>	<u>4,112,810</u>

9. INTEREST INCOME	06 month period ended	06 month period ended
	30.09.2021	30.09.2020
	Rs	Rs
Interest on		
Money Markert Saving	8,538,721	11,190,391
Commercial papers	105,499,427	59,861,563
Savings account	591,011	1,230,860
Fixed deposits	107,839,882	62,745,609
Treasury Bills	553,923	-
Trust Certificates	2,504,277	-
Placement Fee Income	3,412,119	1,611,659
	<u>228,939,360</u>	<u>136,640,082</u>

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NOTES TO THE FINANCIAL STATEMENTS

For the 06 month period ended 30th September

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

	2021	2020
	Rs.	Rs.
Net Asset Value as per Financial Statement	7,499,398,323	5,087,209,694
Income Tax recoverable	(5,081,418)	(5,081,418)
Published Net Asset Value	<u>7,494,316,905</u>	<u>5,082,128,276</u>
No of Units Outstanding	291,605,063.9	209,838,953.1
Published net asset value per unit	25.70	24.22

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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 & Notaries 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