

NAMAL HIGH YIELD FUND

Interim Report

For the Six months ended 30th September 2012

**National Asset Management Limited
Union bank Building,
64, Galle Road , Colombo 3.
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Interim Report 2012

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Dear Investor,

We take pleasure in presenting the interim report of the NAMAL High Yield Fund (NHYF) for the six months ended 30th September 2012.

Performance review

The NHYF generated a return of 6.69% over the six month period under review, and 8.79% since inception of the fund in January 2012.

Interest income of Rs. 51.8m was mostly generated through the fund's commercial paper holdings. The fund realized a total return of Rs. 55.7m.

Market Review

Benchmark 12 month TB yields rose by 170bps to 13% while 3 month and 6 month Treasury Bill yields rose to 11.4%(+30bps) and 12.6%(+151bps), respectively. The CBSL took a hawkish stand on monetary policy at the beginning of the year and continued to maintain its tightening cycle during period under review. Inflationary pressures continued persist with CCPI (annual average) rising to 6.5% by September 2012.

Balance of Payment (BOP) situation looks much stronger due to policy responses. The trade deficit contracted from USD 861m in March to USD 513m by September 2012 as imports fell sharply as a result of steeper devaluation of the Rupee and adjustments of import taxes. Total worker remittances improved to USD 4.4b (+16.4% YoY) and earnings from tourism amounted to USD 711m (+23% YoY) for the period ended 30th September.

Portfolio Composition

The Portfolio is constructed to maximize returns by investing in high yielding corporate paper. Commercial Paper yields have increased by around 150bps in contrast to the 30bps rise in 3 month TB yields, indicating widening credit spreads in the market. As at 30th September 2012, 94.8% of assets were invested in short term Commercial Paper with the remainder in repurchase (repo) transactions.

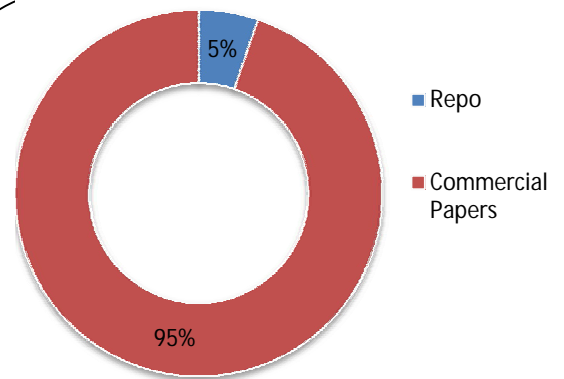
Sincerely,

The Fund Management Team
6 December 2012

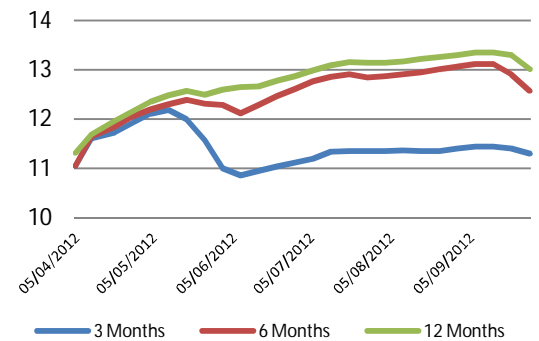
Performance Comparison

	YTD (%)
NHYF	6.69

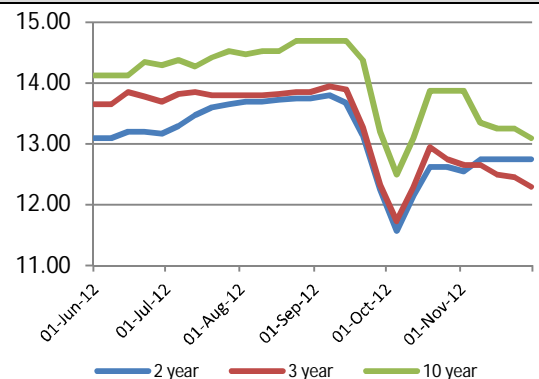
Asset Allocation



Treasury Bill rates



Bond Rates



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STATEMENT OF TOTAL RETURN

For the six months ended 30th September

	2012 Rs Mn	2011 Rs Mn
INCOME		
Interest Income	51.77	-
Dividend Income	0.00	-
	<u>51.77</u>	<u>-</u>
DIRECT EXPENSES		
Manager's & Registrar's Fees	(1.93)	-
Trustee & Custody Fees	(0.77)	-
Audit Fees	(0.40)	-
Sundry Expenses	(0.21)	-
	<u>(3.31)</u>	<u>-</u>
Net Income before Taxation	48.46	-
Taxation	<u>(4.85)</u>	<u>-</u>
Net Income after Taxation	43.62	-
Net realised gains/ (loss) for the period	-	-
Net unrealised appreciation/(depreciation) for the period	-	-
Net gains/(loss) on investments	<u>-</u>	<u>-</u>
Total earnings for the period	43.62	-
Income Equalisation		
Income received on units created	37.45	-
Income paid out on units redeemed	(25.33)	-
	<u>12.12</u>	<u>-</u>
Total Return for the period	55.74	-
Net increase/(decrease) in unit holders' funds from investment activities	<u>55.74</u>	<u>-</u>

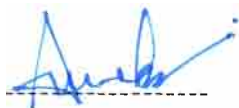
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BALANCE SHEET

As at 30th September

	2012	2011
	Rs Mn	Rs Mn
Investments		
Investments in Shares	-	-
Investments in Commercial Papers	638.89	-
	<u>638.89</u>	<u>-</u>
Current Assets		
Cash & Bank Balances	1.69	-
Treasury Bill Repurchase Agreements	35.37	-
Dividend Receivable	-	-
Income Tax Recoverable	0.82	-
Receivable on unit creations	7.05	-
Accrued Income	5.64	-
	<u>50.57</u>	<u>-</u>
Current Liabilities		
Management Fees Payable	0.31	-
Trustee Fees Payable	0.09	-
Audit Fees Payable	0.08	-
Other Payables	0.02	-
	<u>0.50</u>	<u>-</u>
NET CURRENT ASSETS	<u>50.07</u>	<u>-</u>
ASSETS EMPLOYED	<u>688.96</u>	<u>-</u>
Represented By :		
Capital Account		
Unit Capital	633.29	-
Net realised gains/ (loss)	-	-
Net unrealised gains/ (loss)	(0.06)	-
	<u>633.23</u>	<u>-</u>
Undistributed Income Carried Forward	55.73	-
	<u>688.96</u>	<u>-</u>

Signed on behalf of the Management Company



Director



Director

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STATEMENT OF MOVEMENT IN UNIT HOLDERS' FUND

For the Six months ended 30th September

	2012 Rs Mn	2011 Rs Mn
Balance at the beginning of the period	0.00	-
Movement due to Sale and Purchase of Units		
Received on creation of units	1,300.59	-
Payments on cancellation of units	(667.30)	-
	633.29	-
Net increase/(decrease) in unit holders' fund from investment activities	55.67	-
Balance carried forward at the end of the period	688.96	-
Net Assets Value per Unit	Rs	Rs
Applicable to 63,328,722.3 units as at 30.09.2012	10.8791	-

NOTES TO THE ACCOUNTS

- (a) All figures are provisional and unaudited
- (b) Income is recognised on accrual basis
- (c) 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.
- (d) Forward pricing methods being used in creating and redeeming units
- (e) The profit and income of the fund is liable for income tax at the rate of 10% for the year of assessment 2012/2013 as specified in part A of the Second Schedule to the Inland Revenue Act No. 10 of 2006.

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DISTRIBUTION TABLE

20th January 2012 to 30th September 2012

	UNIT CAPITAL	NET REALISED GAINS/ (LOSS)	NET UNREALISED APPRECIATION/ (DEPRECIATION)	NET INCOME	TOTAL
	Rs Mn	Rs Mn	Rs Mn	Rs Mn	Rs Mn
Balance as at 01.04.2011	-	-	-	-	-
Movement due to creation & redemption of Units	633.29				633.29
Capital					
Capital Adjustment			(0.06)		(0.06)
Income Equalisation				12.12	12.12
Capital Gains/ (Loss)		-			-
Net Income earned during the Period				43.61	43.61
Gains during the Period		-			-
Appreciation/ (Depreciation) During the period			-		-
Distribution	-	-	-	-	-
Balance at the end of the period	633.29	-	(0.06)	55.73	688.96

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SUMMARY OF TOTAL ASSETS

As at 30th September 2012

	Principal Amount Rs Mn	Market Value Rs Mn	% of Assets
Debentures	-	-	-
Commercial Papers	<u>638.89</u>	<u>644.50</u>	<u>93.55%</u>
Sub Total	638.89	644.50	93.45%
Other Investments and Receivables			
Treasury Bills & Repurchase Agreements	35.37	35.40	5.14%
Income Tax Recoverable	0.82	0.82	0.12%
Other Recievable	7.05	7.05	1.02%
Cash	<u>1.69</u>	<u>1.69</u>	<u>0.25%</u>
Sub Total	44.93	44.96	6.55%
Total	<u>683.82</u>	<u>689.46</u>	<u>100.0%</u>

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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 2012)

Mr. Alexis Lovell	Chairman
Mr. Ajith Wijeyesekera	Deputy Chairmar
Mr. Anil Amarasuriya	Director
Mr. Jitendrakumar Warnakulasuriya	Director
Ms. Khoo Siew Bee	Director
Mr. Avancka Herat	Director
Mr. Nihal Fonseka	Director
Mr. Tyrone de Silva	Director
Ms. Manohari Gunawardhena	(Alternate)