

NAMAL HIGH YIELD FUND

Interim Report

For the Six months ended 30th September 2013

National Asset Management Limited
Union Bank Building,
64, Galle Road , Colombo 2.
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Interim Report 2013

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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 2013.

Performance review

The NHYF generated a return of 6.82% over the six month period under review, 14.59% over 12 months, and 24.67% since inception in January 2012.

Interest income increased 180.8% to Rs. 145.3m mostly generated through the fund’s commercial paper holdings. The fund recorded a profit of Rs. 124.8m for the six months under review, an increase of 186.1%.

Market Review

Benchmark 3, 6, and 12 month treasury bill auction yields declined by 66, 62, and 78 basis points respectively to 8.60%, 9.63%, and 10.57% respectively over the six month period under review. After raising interest rates in 2012, CBSL took an accommodative policy stance, reducing policy rates by 50 basis points in May 2013, and again in October 2013. Inflationary pressures moderated with the CCPI (annual average) declining from 8.81% to 7.83% by September 2013.

The Balance of Payment (BOP) had improved marginally, with the trade deficit declining to USD 6.7b in the first nine months of the year, compared to a deficit of USD 6.9b the prior year. Worker’s remittances have grown 11.4% to USD 4.9b from USD 4.4b, helping to offset the trade deficit and reduce external financing requirements. Earnings from tourism grew 24.2% to USD 883m from USD 711m the prior year.

Portfolio Composition

The Portfolio is constructed to maximize returns by investing in high yielding corporate paper. CBSL’s accommodative policy stance, large external borrowings, and slower credit demand resulted in excess liquidity in commercial paper markets. This is exerting downward pressure on commercial paper yields and credit spreads.

As at 30th September 2013, 82% of assets were invested in Commercial Paper & Trust Certificates with the remainder in repo transactions.

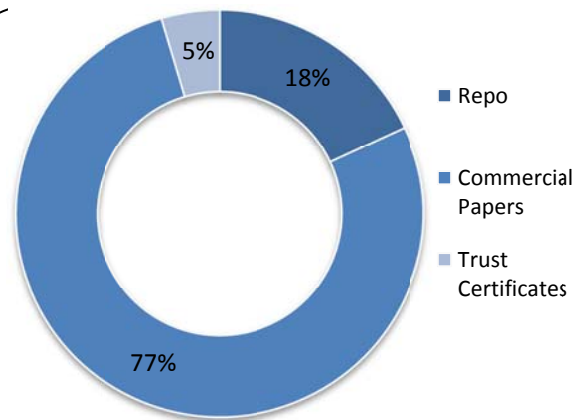
Sincerely,

The Fund Management Team
31 December 2013

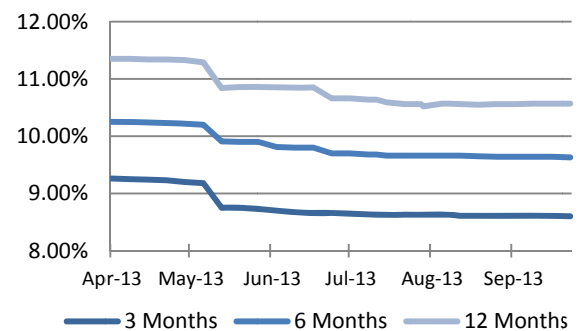
Performance Comparison

	6M (%)	12M (%)	Since inception (%)
NHYF	6.82	14.59	24.67

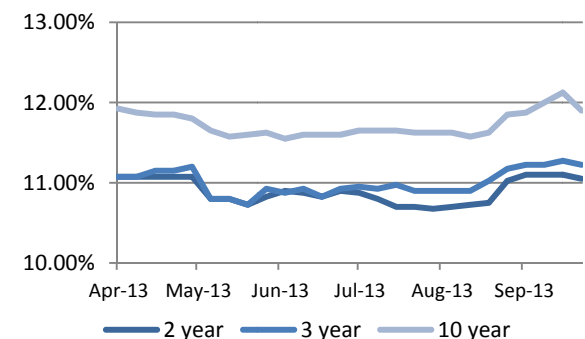
Asset Allocation



Treasury Bill rates



Bond Rates



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

	Note	2013 Rs. Mn.	2012 Rs. Mn.
INVESTMENT INCOME			
Interest income	10	145.33	51.77
Total Investment Income		<u>145.33</u>	<u>51.77</u>
EXPENSES			
Management and registrar fees		(4.94)	(1.93)
Trustee and custodian fees		(1.62)	(0.77)
Audit fees		(0.08)	(0.40)
Professional charges		-	-
Other expenses		(0.04)	(0.16)
Total operating expenses		<u>(6.68)</u>	<u>(3.25)</u>
NET OPERATING PROFIT/(LOSS)		138.65	48.52
FINANCE COST			
Distribution to Unit Holders		-	-
Interest expense		(0.01)	(0.07)
PROFIT AFTER DEDUCTIONS AND BEFORE TAX		138.64	48.45
Income tax expense		(13.86)	(4.85)
PROFIT AFTER TAX FOR THE PERIOD		<u>124.78</u>	<u>43.61</u>
INCREASE IN NET ASSETS ATTRIBUTABLE TO UNIT HOLDERS		124.78	43.61

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STATEMENT OF FINANCIAL POSITION

As at 30th September

ASSETS	Note	2013 Rs Mn	2012 Rs Mn
Cash and cash equivalents		1.54	1.69
Financial assets -Loans and Receivables	07	2,940.13	679.90
Other Receivables	08	0.28	7.05
Income tax recoverable		5.25	0.82
TOTAL ASSETS		<u><u>2,947.19</u></u>	<u><u>689.46</u></u>
 UNIT HOLDERS' FUNDS & LIABILITIES			
LIABILITIES			
Accrued expenses	09	<u>106.12</u>	<u>0.50</u>
Total Liabilities (Excluding net assets attributable to Unit Holders)		106.12	0.50
 UNIT HOLDERS' FUNDS			
Net assets attributable to Unit Holders		2,841.07	688.96
		<u><u>2,947.19</u></u>	<u><u>689.46</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

	2013	2012
	Rs. Mn.	Rs.Mn.
UNIT HOLDER' FUNDS AT THE BEGINNING OF THE PERIOD	1,007.58	-
Increase in net assets attributable to unit holders	124.78	43.61
Unit Creations	2,564.70	1,338.21
Payment on unit redemption	(855.99)	(692.85)
UNIT HOLDERS' FUNDS AT THE END OF THE PERIOD	<u>2,841.07</u>	<u>688.96</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 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.
- 4 The profit and income of the fund is liable for income tax at the rate of 10% for the year of assessment 2013/2014 as specified in part A of the second schedule to the Inland Revenue Act No. 10 of 2006.
- 5 There are no material Contingent Liabilities or contingent Assets which require disclosure in the financial statements.
- 6 No circumstances have arisen since the Balance Sheet date, which would require adjustments or disclosure in the **Financial Statements.**

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NOTES TO THE FINANCIAL STATEMENTS

For the 06 month period ended 30th September

7. FINANCIAL ASSETS - LOANS AND RECEIVABLES	2013	2012
	Rs. Mn.	Rs. Mn.
7.1 Treasury Bills Repurchase Agreements		
Capital Alliance Ltd	300.35	-
National Savings Bank	-	19.07
Wealth Trust Securities Ltd	90.85	4.05
First capital Treasuries Ltd	140.59	12.28
	<u>531.79</u>	<u>35.40</u>
7.2 Investment in Commercial Papers		
Merchant Bank of SL	74.95	88.42
Asia Capital PLC	183.62	51.85
People's Leasing Co. PLC	93.99	92.32
Siyapatha Finance Ltd	180.27	-
Abans Fiance PLC	42.87	-
Abans Ltd	286.11	-
Hayleys PLC	-	51.79
L B Finance PLC	-	30.64
Mercantile Investment PLC	-	36.30
DSI	-	62.59
First Capital Holdings PLC	207.36	-
Softlogic Holdings PLC	403.65	74.76
Alliance Finance PLC	160.61	93.37
Lanka Orix Leasing Co. PLC	317.61	-
Orient Financial Services	321.87	62.48
	<u>2,272.91</u>	<u>644.50</u>
7.3 Placement with other Trust Certificates		
Mercantile Investments PLC	86.28	-
Commercial Leasing & Fiance PLC	49.15	-
	<u>135.43</u>	<u>-</u>
	<u>2,940.13</u>	<u>679.90</u>
8. OTHER RECEIVABLES	2013	2012
	Rs. Mn.	Rs. Mn.
Unit Creation Receivable	0.28	7.05
	<u>0.28</u>	<u>7.05</u>
9. ACCRUED EXPENSES	2013	2012
	Rs. Mn.	Rs. Mn.
Fund management fees payable	0.97	0.31
Trustee fee and Custodian fee payable	0.34	0.11
Audit fee payable	0.07	0.08
Redemption payable	104.74	-
	<u>106.12</u>	<u>0.50</u>
10. INTEREST INCOME	06 month period	06 month period
	ended	ended
	30.09.2013	30.06.2012
	Rs. Mn.	Rs. Mn.
Interest on		
Treasury bill repurchase agreements (Note 12.1)	7.44	4.81
Treasury bond	-	0.06
Commercial papers	131.27	46.20
Savings account	0.05	0.01
Fixed deposits	-	0.69
Trust Certificates	6.57	-
	<u>145.33</u>	<u>51.77</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 2013)

Mr. Alexis Lovell	Chairman
Mr. Ajith Wijeyesekera	Deputy Chairman
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)