

# **NAMAL INCOME FUND**

## **Interim Report**

*For the Six months ended 30<sup>th</sup> September 2013*

**National Asset Management Limited**  
**Union Bank Building,**  
**64, Galle Road , Colombo 2.**  
**Phone : 2445911 Fax : 2445903 Email : [info@namal.lk](mailto:info@namal.lk)**

**NAMAL INCOME FUND**  
*Interim Report 2013*

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Dear Investor,

We take pleasure in presenting the interim report of the NAMAL Income Fund (NIF) for the six months ended 30<sup>th</sup> September 2013.

### Performance review

The NIF generated a return of 4.41% over the six month period under review. Interest income increased by Rs. 1.2m to Rs. 21.8m. Net operating profit for the period increased to Rs. 18.0m from Rs. 17.7m over the corresponding period in 2012. Rs. 10.2m was distributed to unitholders over the period.

### 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

NIF has a policy of investing a minimum of 50.0% of assets in government securities or repurchase (repo) transactions thereon, with the remainder in corporate debt rated A- or higher. CBSL's accommodative policy stance, large external borrowings, and slower credit demand resulted in excess liquidity in credit markets. This is exerting downward pressure on interest rates and credit spreads.

As at 30 September 2013, the Fund had a 51% allocation to government securities / repos, 37% to commercial papers, with the remainder in debentures. We have kept the maturity profile short with limited long term exposures in anticipation of rising interest rates in 2014.

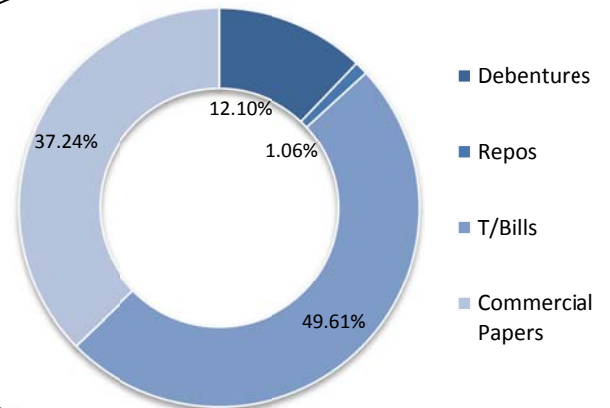
Sincerely,

The Fund Management Team  
31 December 2013

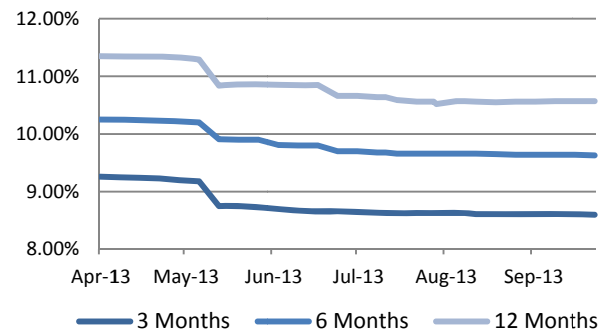
### Performance Comparison

	6M (%)	12M (%)	24M (%)	36M (%)
NIF	4.41	9.19	17.57	25.13

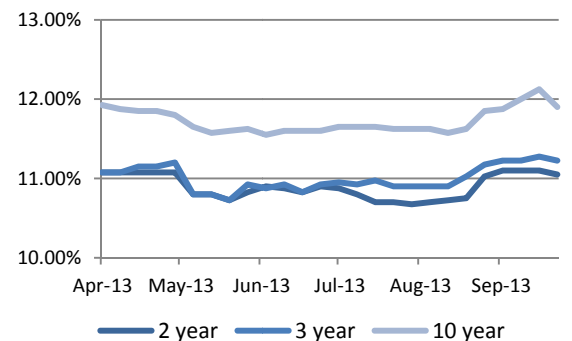
### Asset Allocation



### Treasury Bill rates



### Bond rates



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**STATEMENT OF COMPREHENSIVE INCOME**  
**For the six month period ended September**

	Notes	2013 Rs.Mn	2012 Rs.Mn
<b>INVESTMENT INCOME</b>			
Interest income	11.1	21.83	20.62
Net change in unrealised gains/(losses) on financial assests held for trading	8.2	(0.58)	0.29
<b>Total investment income</b>		<u>21.25</u>	<u>20.91</u>
<b>EXPENSES</b>			
Management and Registrar fees		(2.70)	(2.76)
Trustee and Custodian fees		(0.21)	(0.21)
Audit fee and expenses		(0.19)	(0.15)
Other expenses		(0.12)	(0.09)
<b>Total operating expenses</b>		<u>(3.22)</u>	<u>(3.21)</u>
<b>Net operating profit</b>		18.03	17.70
<b>FINANCE COST</b>			
Interest expense		-	-
Distribution to Unit Holders	12	(10.19)	(16.26)
<b>PROFIT AFTER DEDUCTIONS AND BEFORE TAX</b>		7.84	1.44
Income tax expense		(1.86)	(1.74)
<b>PROFIT AFTER DISTRIBUTIONS AND TAX</b>		<u>5.98</u>	<u>(0.30)</u>
<b>INCREASE IN NET ASSETS ATTRIBUTABLE TO UNIT HOLDERS</b>		<b>5.98</b>	<b>(0.30)</b>

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**STATEMENT OF FINANCIAL POSITION**

**As at 30th September**

<b>ASSETS</b>	<b>Notes</b>	<b>2013 Rs.Mn</b>	<b>2012 Rs.Mn</b>
Cash and cash equivalents		1.71	0.49
Financial assets - Held for trading	8	186.78	76.85
Financial assets - Loans and receivable	9	115.08	268.54
Income tax recoverable		5.69	4.97
<b>Total assets</b>		<u>309.26</u>	<u>350.85</u>
 <b>UNIT HOLDERS' FUNDS &amp; LIABILITIES</b>			
<b>LIABILITIES</b>			
Accrued expenses	10	<u>0.63</u>	<u>0.67</u>
<b>Total liabilities (Excluding net assets attributable to Unit Holders)</b>		0.63	0.67
 <b>UNIT HOLDERS' FUNDS</b>			
<b>Net assets attributable to Unit Holders</b>		308.63	350.18
		<u>309.26</u>	<u>350.85</u>

Signed on behalf of the Management Company

  
 .....  
 Director

  
 .....  
 Director

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**Statement of Movements in Unitholder's Fund**  
**For the six month period ended September**

	<b>2013</b> <b>Rs.Mn</b>	<b>2012</b> <b>Rs.Mn</b>
<b>UNIT HOLDERS' FUNDS AT THE BEGINNING OF THE YEAR</b>	360.56	299.95
Increase in net assets attributable to unit holders	5.98	(0.30)
Received on unit creations	84.09	106.01
Payments on unit redemptions	(142.00)	(55.48)
<b>UNIT HOLDERS' FUNDS AT THE END OF THE YEAR</b>	<u>308.63</u>	<u>350.18</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
7. Net Asset Value of a unit as at September 30 (Rs.)  
(Applicable to units)

**8. FINANCIAL ASSETS - HELD FOR TRADING**

	<b>2013</b>	<b>2012</b>
	<b>Rs.Mn</b>	<b>Rs.Mn</b>
Debt securities - Government Treasury bills	149.06	70.77
Debt securities - Quoted debentures (8.1)	37.72	6.08
	186.78	76.85

**8.1 Quoted debentures**

	<b>2013</b>	<b>2,012</b>
	<b>Rs.Mn</b>	<b>Rs.Mn</b>
Hatton National Bank PLC	6.48	-
Central Finance Company PLC	4.77	
Lion Brewery	3.11	
Lion Brewery	3.09	
Lion Brewery	4.08	
Hayleys	10.29	
Lanka Orix Leasing Company PLC	5.90	6.08
	37.72	6.08

**8.2 Net change unrealised gains/(losses) on financial assets held for trading**

	<b>2013</b>	<b>2012</b>
	<b>Rs.Mn</b>	<b>Rs.Mn</b>
Debt securities - Quoted debentures	(0.58)	0.23
Debt securities - Government Treasury bonds	-	(0.06)
Debt securities - Government Treasury bills	-	0.12
	(0.58)	0.29

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*For the 06 month period ended 30th September*

	<b>2013</b>	<b>2012</b>
	<b>Rs.Mn</b>	<b>Rs.Mn</b>
<b>9.1 Investments in commercial papers</b>		
Asia Capital PLC	-	20.28
LB Finance PLC	-	20.43
MBSL Finance PLC	-	12.12
Softlogic Holdings PLC	40.29	34.57
LOLC Finance Company PLC	40.25	-
Central Finance Company PLC	31.36	-
DSI Holdings Company PLC	-	10.43
Mercantile Investments and Finance PLC	-	4.93
	<u>111.90</u>	<u>102.76</u>
<b>9.2 Repurchase agreements</b>		
First capital Treasuries Limited	3.18	103.85
	<u>3.18</u>	<u>103.85</u>
<b>9.3 Placements with other banks - fixed deposits</b>		
Union Bank of Colombo PLC		41.55
	<u>-</u>	<u>41.55</u>
<b>9.4 Trust certificates</b>		20.38
	<u>115.08</u>	<u>268.54</u>

**10 ACCRUED EXPENSES**

	<b>2013</b>	<b>2012</b>
	<b>Rs.Mn</b>	<b>Rs.Mn</b>
Fund manager and Registrar fee payable	0.42	0.48
Trustee and Custodian fee payable	0.04	0.03
Audit fee	0.12	0.11
Other payable	0.05	0.05
	<u>0.63</u>	<u>0.67</u>

**11 INVESTMENT INCOME**

	<b>2013</b>	<b>2012</b>
	<b>Rs.Mn</b>	<b>Rs.Mn</b>
<b>11.1 Interest income on,</b>		
Interest on Treasury bill repurchase agreements (12.2)	1.01	5.43
Interest on Treasury bills (12.2)	8.93	4.78
Interest on Treasury bonds (12.2)	0	0.09
Interest on fixed deposits	0.49	1.3
Interest on trust certificates	0	2.16
Interest on commercial papers	9.44	6.32
Interest on debentures	1.94	0.4
Interest on saving accounts	0.02	0.01
Amortisation of Treasury bond	0	0.13
	<u>21.83</u>	<u>20.62</u>

**11.2** Interest income on Treasury bill repurchase agreements, Treasury bills and Treasury bonds have been recognised gross of notional taxes.

**12. DISTRIBUTION**

<b>Dividend per Unit</b>	<b>Date of declaration</b>	<b>Total dividend</b>
<b>Rs.</b>		<b>Rs.</b>
0.35	29 July 2013	10,193,520



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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 (30<sup>th</sup> 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)