

NAMAL HIGH YIELD FUND

Interim Report

For the Six months ended 30th September 2015

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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 2015.

Performance review

The NHYP generated a return of 3.25% for the six month period under review, 6.37% over 12 months, and 15.52% over 24 months. Interest income decreased 19.09% to Rs. 251.85m. The fund recorded a profit of Rs. 206.30m for the six months under review, a decrease of 19.75%.

Market Review

The ASPI decreased 3.40% YTD (Jan-Sep 2015) while the S&P SL20 declined 6.43% YTD (Jan-Sep 2015). The average daily turnover dropped to Rs 1,081m during the six months from Rs 1,510m in the comparative period last year. Sri Lankan equity market witnessed a net outflow of Rs. 6.1bn (Apr-Sep 2015) as foreign investors exited emerging markets on the fear of economic slowdown and the US rate hike. Foreign participation stood at 30.6% of turnover for the six month ending September.

Benchmark 12 month Treasury bill auction yields increased by 38 basis points to 7.18% over the six month period under review. CBSL reduced its policy rates by 50bps in April 2015 and accordingly, Standard Deposit Facility and Standing Lending Facility were reduced to 6.00% and 7.00%, respectively. In subsequent monetary policy reviews, CBSL kept policy rates unchanged. Inflationary pressures eased with the CCPI (annual average) declining from 2.5% to 0.7% by September 2015.

On the economic front, the Balance of Payment had deteriorated, with a trade deficit of USD 1.8b in the first eight months of the year, compared to a surplus of USD 2.1b over the corresponding period of 2014. Trade deficit widened by 5.0% YoY to USD 5.4b. Earnings from tourism and workers' remittances increased during the period by 17.1% YoY (USD 1.8b) and 1.8% YoY (USD 4.5b), 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 2015, 36.16% of assets were invested in Commercial Paper, 48.14% in Fixed deposits with the remainder in Government Securities.

Sincerely,

The Fund Management Team

15th November 2015

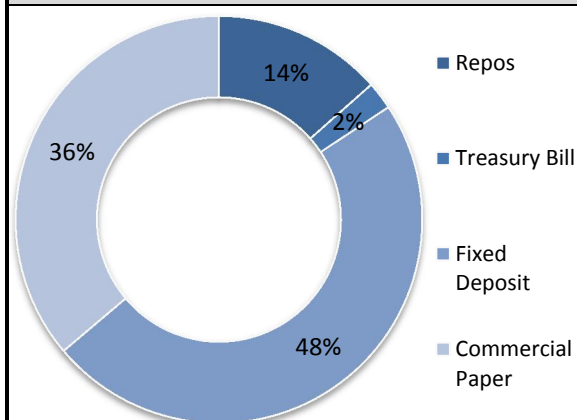
Performance Comparison

	6M* (%)	12M (%)	24M (%)
NHYP	3.25	6.37	15.52

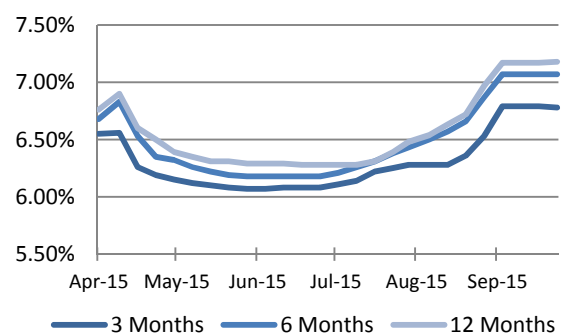
*Period ending 1st April 2015 - 30th September 2015

*Non 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	2015 Rs. Mn.	2014 Rs. Mn.
INVESTMENT INCOME			
Interest income	10	251.85	311.27
Total Investment Income		<u>251.85</u>	<u>311.27</u>
EXPENSES			
Management and registrar fees		(16.61)	(18.97)
Trustee and custodian fees		(5.55)	(6.38)
Audit fees		(0.10)	(0.07)
Professional charges		-	-
Other expenses		(0.10)	(0.16)
Total operating expenses		<u>(22.36)</u>	<u>(25.58)</u>
NET OPERATING PROFIT/(LOSS)		229.50	285.69
FINANCE COST			
Distribution to Unit Holders		-	-
Interest expense		(0.28)	(0.08)
PROFIT AFTER DEDUCTIONS AND BEFORE TAX		229.22	285.61
Income tax expense		(22.92)	(28.56)
PROFIT AFTER TAX FOR THE PERIOD		<u>206.30</u>	<u>257.05</u>
COMPREHENSIVE INCOME			
UNREALIZED GAIN/LOSS		(0.06)	(0.91)
INCREASE IN NET ASSETS ATTRIBUTABLE TO UNIT HOLDERS		<u>206.24</u>	<u>256.14</u>

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STATEMENT OF FINANCIAL POSITION

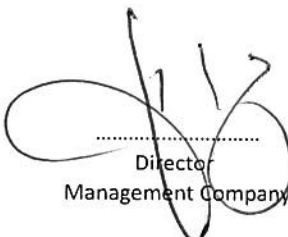
As at 30th September

ASSETS	Note	2015 Rs Mn	2014 Rs Mn
Cash and cash equivalents		6.13	2.30
Financial assets -Loans and Receivables	07	6,731.81	5,074.45
Other Receivables	08	0.02	-
Income tax recoverable		2.72	0.82
TOTAL ASSETS		<u>6,740.67</u>	<u>5,077.57</u>
 UNIT HOLDERS' FUNDS & LIABILITIES			
LIABILITIES			
Accrued expenses	09	<u>3.96</u>	<u>6.22</u>
Total Liabilities (Excluding net assets attributable to Unit Holders)		3.96	6.22
 UNIT HOLDERS' FUNDS			
Net assets attributable to Unit Holders		6,736.71	5,071.35
		<u>6,740.67</u>	<u>5,077.57</u>

Signed on behalf of the Management Company



 Director
 Management Company



 Director
 Management Company

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STATEMENT OF CHANGES IN UNIT HOLDERS' FUNDS
For the 06 month period ended 30th September

	2015	2014
	Rs. Mn.	Rs. Mn.
UNIT HOLDER' FUNDS AT THE BEGINNING OF THE PERIOD	5,429.41	7,376.86
Increase in net assets attributable to unit holders	206.24	256.14
Unit Creations	2,677.88	5,798.72
Payment on unit redemption	(1,576.82)	(8,360.37)
UNIT HOLDERS' FUNDS AT THE END OF THE PERIOD	6,736.71	5,071.35

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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 2015/2016 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

	2015 Rs. Mn.	2014 Rs. Mn.
7.1 Treasury Bills Repurchase Agreements		
Capital Alliance Ltd		2.99
DFCC	-	1,106.36
Wealth Trust Securities Ltd	709.77	-
Commercial Bank	197.53	-
	<u>907.30</u>	<u>1,109.35</u>
7.2 Investment in Commercial Papers		
Merchant Bank of SL		541.74
Abans Ltd		232.18
Mercantile Investment PLC		215.77
DSI		-
First Capital Holdings PLC	425.33	210.61
Softlogic Holdings PLC	544.81	235.32
Softlogic Finance PLC	453.86	
Softlogic Capital PLC	50.53	
Janashakthi	527.11	202.89
MTD Walkers PLC	431.48	
	<u>2,433.12</u>	<u>1,638.51</u>
7.3 Placement with other Trust Certificates		
Peoples Leasing	-	102.44
	<u>-</u>	<u>102.44</u>
7.4 Investment in Treasury Bills		
Capital Alliance	149.38	485.22
	<u>149.38</u>	<u>485.22</u>
7.5 Investment in Fixed Deposits		
Orient Finance	776.29	200.63
Central Finance	-	521.13
DFCC	-	1,017.18
Lanka Orix Leasing Finance PLC	712.88	-
Merchant Bank of Sri Lanka	440.12	-
Sampath Bank	506.51	-
Union Bank	302.31	-
Commercial Leasing and Finance PLC	353.54	-
Commercial Credit and Finance Plc	150.37	-
	<u>3,242.01</u>	<u>1,738.93</u>
	<u>6,731.81</u>	<u>5,074.45</u>
8. OTHER RECEIVABLES	2015	2014
	Rs. Mn.	Rs. Mn.
Unit Creation Receivable	0.02	-
	<u>0.02</u>	<u>-</u>
9. ACCRUED EXPENSES	2015	2014
	Rs. Mn.	Rs. Mn.
Fund management fees payable	2.86	2.22
Trustee fee and Custodian fee payable	0.96	0.75
Audit fee payable	0.09	0.07
Redemption payable	0.06	3.18
	<u>3.96</u>	<u>6.22</u>
10. INTEREST INCOME	06 month period	06 month period
	ended	ended
	30.09.2015	30.09.2014
	Rs. Mn.	Rs. Mn.
Interest on		
Treasury bill repurchase agreements (Note 10.1)	51.80	103.67
Treasury Bills	20.66	10.95
Treasury bond	1.25	-
Commercial papers	90.65	118.43
Savings account	0.16	0.09
Fixed deposits	87.33	69.10
Trust Certificates	-	9.03
	<u>251.85</u>	<u>311.27</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 (As of September 30, 2015)

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