

NAMAL INCOME FUND

Interim Report

For the Six months ended 30th September 2015

National Asset Management Limited
Union Bank Building,
64, Galle Road , Colombo 3.
Phone : 2445911 Fax : 2445903 Email : info@namal.lk

NAMAL INCOME FUND
Interim Report 2015

Table of Contents

Report of the Investment Manager	1
Statement of Comprehensive Income	2
Statement of Financial Position	3
Statement of Movement in Unit Holders Fund	4
Notes To the Accounts	5-6
Corporate Information	7

Dear Investor,

We take pleasure in presenting the interim report of the NAMAL Income Fund (NIF) for the six months ended 30th September 2015.

Performance review

The NIF generated a return of 2.46% for the six month period under review. Interest income decreased by Rs. 3.01m to Rs 8.51m. Net operating profit for the period decreased to Rs. 4.99m from Rs. 12.29m over the corresponding period in 2014. Rs. 2.60m was distributed to unit holders over the period.

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

NIF has a policy of investing a minimum of 20% of assets in government securities /repurchase (repo) transactions. While corporate debt / asset backed securities (rated BBB- or higher) could be invested up to a maximum of 80% of assets, Bank deposits are limited to a maximum of 50% of assets.

As at 30 September 2015, the Fund had a 64.88% allocation to debentures, 21.59% in repos and 13.53% in Fixed Deposits. We have kept the maturity profile short with limited long term exposures in anticipation of rising interest rates going forward, as room for monetary policy easing is envisaged to be limited.

Sincerely,

The Fund Management Team
15th November 2015

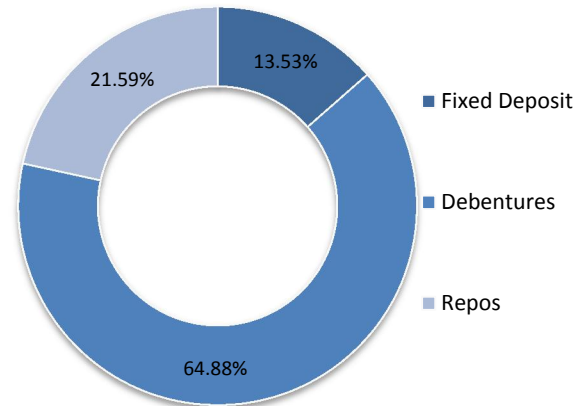
Performance Comparison

	6M* (%)	12M (%)	24M (%)	36M (%)
NIF	2.46	3.65	14.30	25.02

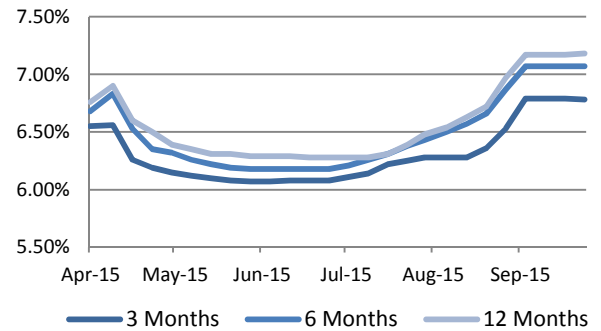
* Period ending 1st April 2015 - 30th September 2015

*Non annualised returns

Asset Allocation



Treasury Bill rates



Source: Central Bank of Sri Lanka

NAMAL INCOME FUND
Interim Report 2015

STATEMENT OF COMPREHENSIVE INCOME
For the six month period ended September

	Notes	2015 Rs.Mn	2014 Rs.Mn
INVESTMENT INCOME			
Interest income	11.1	8.51	11.52
Net change in unrealised gains/(losses) on financial assets held for trading	8.2	(2.06)	3.12
Total investment income		6.45	14.64
EXPENSES			
Management and Registrar fees		(0.93)	(1.69)
Trustee and Custodian fees		(0.21)	(0.42)
Audit fee and expenses		(0.26)	(0.20)
Other expenses		(0.05)	(0.04)
Total operating expenses		(1.45)	(2.35)
Net operating profit		4.99	12.29
FINANCE COST			
Interest expense		-	(0.01)
Distribution to Unit Holders	12	(2.60)	(2.93)
PROFIT AFTER DEDUCTIONS AND BEFORE TAX		2.40	9.35
Income tax expense		(0.18)	(0.48)
PROFIT AFTER DISTRIBUTIONS AND TAX		2.22	8.87
INCREASE IN NET ASSETS ATTRIBUTABLE TO UNIT HOLDERS		2.22	8.87

NAMAL INCOME FUND

Interim Report 2015

STATEMENT OF FINANCIAL POSITION

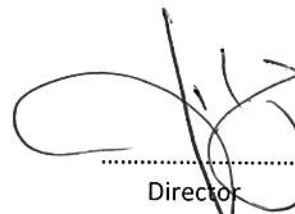
As at 30th September

ASSETS	Notes	2015 Rs.Mn	2014 Rs.Mn
Cash and cash equivalents		3.83	0.13
Financial assets - Held for trading	8	95.44	156.57
Financial assets - Loans and receivable	9	49.92	37.66
Other Receivable		10.00	
Income tax recoverable		6.89	7.12
Total assets		166.08	201.48
 UNIT HOLDERS' FUNDS & LIABILITIES			
LIABILITIES			
Accrued expenses	10	0.35	0.95
Total liabilities (Excluding net assets attributable to Unit Holders)		0.35	0.95
 UNIT HOLDERS' FUNDS			
Net assets attributable to Unit Holders		165.74	200.53
		166.08	201.48

Signed on behalf of the Management Company


.....
Director

Management Company


.....
Director

Management Company

NAMAL INCOME FUND***Interim Report 2015*****Statement of Movements in Unitholder's Fund****For the six month period ended September**

	2015 Rs.Mn	2014 Rs.Mn
UNIT HOLDERS' FUNDS AT THE BEGINNING OF THE YEAR	199.77	321.03
Increase in net assets attributable to unit holders	2.22	8.87
Received on unit creations	0.22	2.51
Payments on unit redemptions	(36.47)	(131.89)
UNIT HOLDERS' FUNDS AT THE END OF THE YEAR	<u>165.74</u>	<u>200.53</u>

NAMAL Income Fund
Interim Report 2015

NOTES TO THE FINANCIAL STATEMENTS

For the 06 month period ended 30th September

- 1 All figures are unaudited. Where necessary comparative figures have been adjusted to confirm with the changes in the income tax 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 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. the Financial Statements.
- 6 No circumstances have arisen since the Balance Sheet date, which would require adjustments or disclosure in

	2015	2014
7. Net Asset Value of a unit as at September 30 (Rs.)	12.22	12.17
(Applicable to units)	12,998,529.9	15,922,346.4

8. FINANCIAL ASSETS - HELD FOR TRADING

	2015	2014
	Rs.Mn	Rs.Mn
Debt securities - Government Treasury bills	-	64.743517
Debt securities - Quoted debentures (8.1)	95.44	91.83
	95.44	156.571484

8.1 Quoted debentures

	2015	2014
	Rs.Mn	Rs.Mn
Hatton National Bank PLC	6.92	7.43
Central Finance Company PLC	8.52	8.92
Lion Brewery	3.18	3.32
Lion Brewery	3.24	3.44
Lion Brewery	4.36	4.69
Hayleys	10.63	11.12
Merchant Bank of Sri Lanka	5.64	5.89
National Development Bank	6.15	6.65
Nations Trust Bank	15.72	16.99
Richard Peris	2.55	2.62
Hemas	2.90	3.11
DFCC Vardhana Bank	11.01	11.39
DFCC Vardhana Bank	14.61	6.27
	95.44	91.83

	2015	2014
	Rs.Mn	Rs.Mn
8.2 Net change unrealised gains/(losses) on financial assets held for trading		
Debt securities - Quoted debentures	(2.12)	3.31
Debt securities - Government Treasury bills	0.06	(0.22)
T Bond surplus/Deficit-Last year	-	0.02
	(2.06)	3.12

NAMAL Income Fund
Interim Report 2015

NOTES TO THE FINANCIAL STATEMENTS

For the 06 month period ended 30th September

9. FINANCIAL ASSETS - LOANS AND RECEIVABLES	2015	2014
	Rs.Mn	Rs.Mn
9.1 Investments in Fixed Deposits		
Commercial Leasing Company PLC	19.25	-
	<u>19.25</u>	<u>-</u>
9.2 Repurchase agreements		
Union Bank	25.21	-
DFCC Vardhana Bank	5.45	8.57
First capital Treasuries Limited	-	29.09
	<u>30.67</u>	<u>37.66</u>
9.3 Other Receivable		
Debenture Application	10.00	
	<u>59.92</u>	<u>37.66</u>
 10 ACCRUED EXPENSES	 2015	 2014
	Rs.Mn	Rs.Mn
Fund manager and Registrar fee payable	0.10	0.26
Trustee and Custodian fee payable	0.03	0.03
Audit fee	0.16	0.12
Other payable	0.05	0.05
income tax payable	0.00	0.48
	<u>0.35</u>	<u>0.95</u>
 11 INVESTMENT INCOME	 2015	 2014
	Rs.Mn	Rs.Mn
11.1 Interest income on,		
Interest on Treasury bill repurchase agreements (12.2)	1.50	1.04
Interest on Treasury bills	0.61	4.48
Interest on Treasury bonds	-	0.50
Interest on fixed deposits	0.28	-
Interest on commercial papers	0.61	0.68
Interest on debentures	5.47	4.79
Interest on saving accounts	0.04	0.03
	<u>8.51</u>	<u>11.52</u>

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

12. DISTRIBUTION

Dividend per Unit	Date of declaration	Total dividend	Total Units
Rs.		Rs.	
0.20	August 12,2015	2,596,663.94	12,983,319.7

NAMAL INCOME FUND
Interim Report 2015

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. Tyrone de Silva	Director
Mr. Malinda Samaratinga	Director
Mr. Suren Madhanayake	Director
Mr. Avancka Herat	Director
Ms. Khoo Siew Bee	Director