

# **NAMAL HIGH YIELD FUND**

## **Interim Report**

*For the Six months ended 30<sup>th</sup> September 2017*

**National Asset Management Limited**

**07, Glen Aber Place**

**Colombo 03.**

**Phone : 2445911 Fax : 2445903 Email : [info@namal.lk](mailto:info@namal.lk)**

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*Interim Report 2017*

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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 30<sup>th</sup> September 2017.

### Performance review

The NHYF generated an annualised return of 12.11% for the six month period under review, 11.98% over 12 months, and 10.46% over 24 months. Interest income decreased 3.51% to Rs. 255.56m. The fund recorded a profit after tax of Rs. 217.74m for the six months under review, a decrease of 2.61% YoY.

### Market Review

Benchmark 12 month Treasury bill yields continued to decline in primary market auctions in 1HFY18 and stood at 9.10% at the end of September. Further, the CBSL announced the removal of caps imposed on interest rates on credit products, effective from 3QCY2017, to curb private sector credit growth and inflationary pressures in the economy. Policy rates were held steady in 1HFY2018 amidst declining private sector credit growth.

On the economic front, real GDP grew at 3.9% in 1HCY2017 compared to 3.7% growth in 1HCY2016. The growth was led by construction sector. External sector showed mixed performance in 1HFY2018. Exports gained momentum in the Q2 and Q3 of CY2017. Nevertheless, trade deficit expanded by 9.4% to USD 856 Mn in the first 8 months, as a result of higher import expenditures. During the same period, tourism earnings grew 3.5% to USD 2,413 Mn, while worker remittances declined 6.3% to USD 4,503 Mn. The overall BoP position recorded a surplus of USD 2,174 Mn at the end of August compared to USD 211 Mn surplus reported in the comparative period of last year, mainly aided by foreign currency receipts on account of additional borrowings and grants.

### 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 30<sup>th</sup> September 2017, 54.48% of assets were invested in Commercial Paper, 33.26% in fixed deposits with the remainder in Government Securities.

Sincerely,

The Fund Management Team

15<sup>th</sup> November 2017

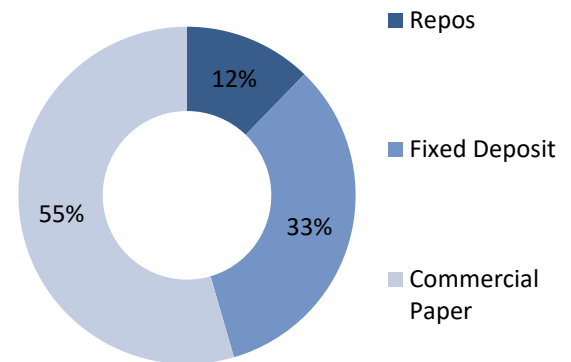
### Performance Comparison

	6M* (%)	12M (%)	24M (%)
NHYF	12.11	11.98	10.46

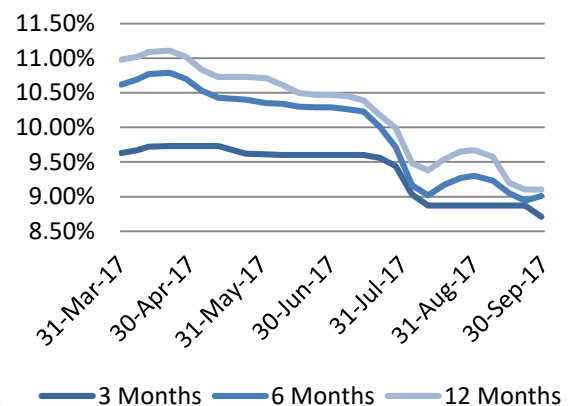
\*6 months ending 30<sup>th</sup> September 2017

\*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**

	<b>Note</b>	<b>2017 Rs. Mn.</b>	<b>2016 Rs. Mn.</b>
<b>INVESTMENT INCOME</b>			
Interest income	10	255.56	264.86
<b>Total Investment Income</b>		<u>255.56</u>	<u>264.86</u>
<b>EXPENSES</b>			
Management and registrar fees		(9.85)	(11.99)
Trustee and custodian fees		(3.47)	(4.10)
Audit fees		(0.13)	(0.11)
Professional charges		-	-
Other expenses		(0.18)	(0.12)
<b>Total operating expenses</b>		<u>(13.62)</u>	<u>(16.32)</u>
<b>NET OPERATING PROFIT/(LOSS)</b>		241.94	248.54
<b>FINANCE COST</b>			
Distribution to Unit Holders		-	-
Interest expense		(0.00)	(0.13)
<b>PROFIT AFTER DEDUCTIONS AND BEFORE TAX</b>		241.94	248.41
Income tax expense		(24.19)	(24.84)
<b>PROFIT AFTER TAX FOR THE PERIOD</b>		<u>217.74</u>	<u>223.57</u>
<b>COMPREHENSIVE INCOME</b>			
UNREALIZED GAIN/LOSS		-	-
<b>INCREASE IN NET ASSETS ATTRIBUTABLE TO UNIT HOLDERS</b>		<u>217.74</u>	<u>223.57</u>

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STATEMENT OF FINANCIAL POSITION  
As at 30th September

ASSETS	Note	2017 Rs Mn	2016 Rs Mn
Cash and cash equivalents		16.33	5.65
Financial assets -Loans and Receivables	07	7,165.88	3,285.14
Other Receivables	08	4.98	558.02
Income tax recoverable		3.29	4.99
<b>TOTAL ASSETS</b>		<b>7,190.48</b>	<b>3,853.80</b>
<b>UNIT HOLDERS' FUNDS &amp; LIABILITIES</b>			
<b>LIABILITIES</b>			
Accrued expenses	09	3.61	559.63
Total Liabilities (Excluding net assets attributable to Unit Holders)		3.61	559.63
<b>UNIT HOLDERS' FUNDS</b>			
Net assets attributable to Unit Holders		7,186.87	3,294.17
		<b>7,190.48</b>	<b>3,853.80</b>

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

	<b>2017</b>	<b>2016</b>
	<b>Rs. Mn.</b>	<b>Rs. Mn.</b>
<b>UNIT HOLDER' FUNDS AT THE BEGINNING OF THE PERIOD</b>	1,669.99	5,989.47
Increase in net assets attributable to unit holders	217.74	223.57
Unit Creations	19,309.40	10,207.62
Payment on unit redemption	(14,010.25)	(13,126.49)
<b>UNIT HOLDERS' FUNDS AT THE END OF THE PERIOD</b>	<u>7,186.87</u>	<u>3,294.17</u>

**NAMAL HIGH YIELD FUND**

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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.
- 2.1** 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.
- 3** The profit and income of the fund is liable for income tax at the rate of 10% for the year of assessment 2017/2018 as specified in part A of the second schedule to the Inland Revenue Act No. 10 of 2006.
- 4** There are no material Contingent Liabilities or contingent Assets which require disclosure in the financial statements.
- 5** No circumstances have arisen since the Balance Sheet date, which would require adjustments or disclosure in the Financial Statements.

	<b>2017</b>	<b>2016</b>
<b>6</b> Net Asset value of a Unit as at September 30 (Rs.)	17.57	15.69
(Applicable to Units)	408,859,252.10	209,647,992.10

**NOTES TO THE FINANCIAL STATEMENTS**

*For the 06 month period ended 30th September*

**7. FINANCIAL ASSETS - LOANS AND RECEIVABLES**

	2017 Rs. Mn.	2016 Rs. Mn.
<b>7.1 Treasury Bills Repurchase Agreements</b>		
Wealth Trust Securities Ltd	878.62	116.12
Commercial Bank	-	-
	<u>878.62</u>	<u>116.12</u>
<b>7.2 Investment in Commercial Papers</b>		
Dunamis Capital PLC	541.94	283.93
Lanka Orix Leasing Company PLC	850.34	285.34
First Capital Holdings PLC	671.08	344.97
Softlogic Holdings PLC	849.21	392.49
Softlogic Capital PLC	-	199.15
Janashakthi PLC	353.83	-
MTD Walkers PLC	637.42	317.58
	<u>3,903.82</u>	<u>1,823.46</u>
<b>7.3 Placement with other Trust Certificates</b>		
Peoples Leasing	-	146.21
	<u>-</u>	<u>146.21</u>
<b>7.4 Investment in Fixed Deposits</b>		
Siyapatha Finance PLC	654.90	-
Central Finance PLC	152.09	201.75
Merchant Bank of Sri Lanka	590.42	469.69
DFCC Bank	101.25	-
Commercial Leasing and Finance PLC	551.54	132.94
Melsta Regal Finance PLC	333.25	394.97
	<u>2,383.44</u>	<u>1,199.35</u>
	<u><b>7,165.88</b></u>	<u><b>3,285.14</b></u>

**8. OTHER RECEIVABLES**

	2017 Rs. Mn.	2016 Rs. Mn.
Unit Creation Receivable	4.29	558.02
Placement fee Receivable	0.69	-
	<u>4.98</u>	<u>558.02</u>

**9. ACCRUED EXPENSES**

	2017 Rs. Mn.	2016 Rs. Mn.
Fund management fees payable	2.60	1.60
Trustee fee and Custodian fee payable	0.90	0.54
Audit fee payable	0.09	0.09
Redemption payable	0.02	557.39
	<u>3.61</u>	<u>559.63</u>

**10. INTEREST INCOME**

	06 month period ended 30.09.2017 Rs. Mn.	06 month period ended 30.09.2016 Rs. Mn.
Interest on		
Treasury bill repurchase agreements (Note 10.1)	28.05	48.63
Treasury Bills	-	-
Treasury bond	-	-
Commercial papers	149.31	115.15
Savings account	0.22	0.13
Fixed deposits	77.09	98.74
Trust Certificates	-	2.21
Placement Fee Income	0.89	-
	<u>255.56</u>	<u>264.86</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) 7, Glen Aber Place Colombo 03																		
<b>National Asset Management Limited Board of Directors (30<sup>th</sup> September 2017)</b>	<table><tr><td>Mr. Alexis Lovell</td><td>Chairman</td></tr><tr><td>Mr. Indrajit Wickramasinghe</td><td>Director</td></tr><tr><td>Mr. Palitha Gamage</td><td>Director</td></tr><tr><td>Mr. Tyronne de Silva</td><td>Director</td></tr><tr><td>Mr. Malinda Samaratunga</td><td>Director</td></tr><tr><td>Mr. Wijenanada Dambawinne</td><td>Director</td></tr><tr><td>Mr. Suren Madhanayake</td><td>Director</td></tr><tr><td>Mr. Avancka Herat</td><td>Director</td></tr><tr><td>Ms. Khoo Siew Bee</td><td>Director</td></tr></table>	Mr. Alexis Lovell	Chairman	Mr. Indrajit Wickramasinghe	Director	Mr. Palitha Gamage	Director	Mr. Tyronne de Silva	Director	Mr. Malinda Samaratunga	Director	Mr. Wijenanada Dambawinne	Director	Mr. Suren Madhanayake	Director	Mr. Avancka Herat	Director	Ms. Khoo Siew Bee	Director
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