

# **NAMAL INCOME FUND**

## **Interim Report**

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

**National Asset Management Limited**  
**07, Glen Aber Place**  
**Colombo 03.**  
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**NAMAL INCOME FUND**  
**Interim Report 2017**

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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 2017.

### Performance review

The NIF generated a return of 13.40% for the six month period under review. Interest income for the period under review decreased by Rs 2.55m to Rs 5.77m. Net operating profit for the period decreased to Rs. 7.23m from Rs. 9.39m over the corresponding period in 2016. Rs. 1.73m was distributed to unit holders over the period.

### 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

NIF has a policy of investing a minimum of 20% of assets in government securities /repurchase transactions. While corporate debt (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 2017, the Fund had a 67.19% allocation to debentures and 32.81% allocation in repos.

Sincerely,

The Fund Management Team  
15<sup>th</sup> November 2017

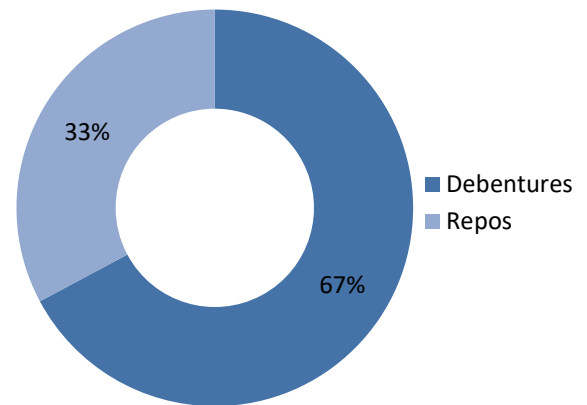
### Performance Comparison

	6M* (%)	12M (%)	24M (%)	36M (%)
NIF	13.40	10.78	8.88	7.11

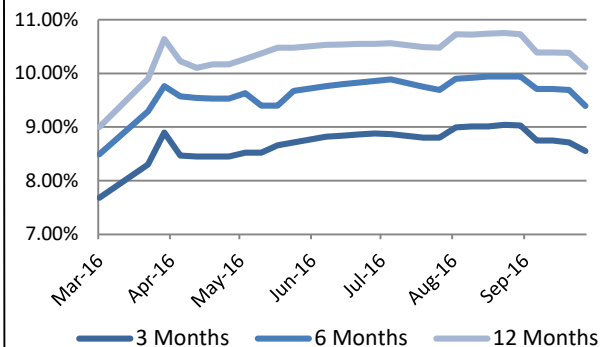
\*6 months ending 30<sup>th</sup> September 2017

\*Annualised returns

### Asset Allocation



### Treasury Bill rates



Source: Central Bank of Sri Lanka

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

	Notes	2017 Rs.Mn	2016 Rs.Mn
<b>INVESTMENT INCOME</b>			
Interest income	11.1	5.77	8.31
Net change in unrealised gains/(losses) on financial assets held for trading	8.2	2.43	2.25
<b>Total investment income</b>		<u>8.19</u>	<u>10.57</u>
<b>EXPENSES</b>			
Management and Registrar fees		(0.43)	(0.61)
Trustee and Custodian fees		(0.22)	(0.21)
Audit fee and expenses		(0.23)	(0.21)
Other expenses		(0.08)	(0.15)
<b>Total operating expenses</b>		<u>(0.96)</u>	<u>(1.17)</u>
<b>Net operating profit</b>		7.23	9.39
<b>FINANCE COST</b>			
Interest expense		-	-
<b>PROFIT AFTER DEDUCTIONS AND BEFORE TAX</b>		7.23	9.39
Income tax expense		(0.09)	(0.17)
<b>PROFIT AFTER DISTRIBUTIONS AND TAX</b>		<u>7.14</u>	<u>9.22</u>
<b>INCREASE IN NET ASSETS ATTRIBUTABLE TO UNIT HOLDERS</b>		<b>7.14</b>	<b>9.22</b>

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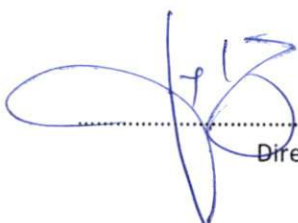
STATEMENT OF FINANCIAL POSITION

As at 30th September

ASSETS	Notes	2017 Rs.Mn	2016 Rs.Mn
Cash and cash equivalents		4.04	2.91
Financial assets - Held for trading	8	60.71	84.81
Financial assets - Loans and receivable	9	29.64	72.34
Other Receivable		-	-
Income tax recoverable		7.33	7.11
<b>Total assets</b>		<u>101.73</u>	<u>167.16</u>
<b>UNIT HOLDERS' FUNDS &amp; LIABILITIES</b>			
<b>LIABILITIES</b>			
Accrued expenses	10	0.31	0.35
<b>Total liabilities (Excluding net assets attributable to Unit Holders)</b>		<u>0.31</u>	<u>0.35</u>
<b>UNIT HOLDERS' FUNDS</b>			
<b>Net assets attributable to Unit Holders</b>		101.42	166.81
		<u>101.73</u>	<u>167.16</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>2017</b>	<b>2016</b>
	<b>Rs.Mn</b>	<b>Rs.Mn</b>
<b>UNIT HOLDERS' FUNDS AT THE BEGINNING OF THE YEAR</b>	119.70	161.18
Increase in net assets attributable to unit holders	7.14	9.22
Received on unit creations	0.12	0.17
Payments on unit redemptions	(23.81)	(1.24)
<b>Distribution to Unit Holders</b>	(1.73)	(2.52)
<b>UNIT HOLDERS' FUNDS AT THE END OF THE YEAR</b>	<u>101.42</u>	<u>166.81</u>

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**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 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 2017/2018 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.

	2017	2016
7. Net Asset Value per unit as at September 30 (Rs.)	13.61	12.66
No of Units as at 30th september	6,909,162.00	12,605,661.50

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

	2017	2016
	Rs.Mn	Rs.Mn
Debt securities - Government Treasury bills	-	-
Debt securities - Quoted debentures (8.1)	60.71	84.81
	60.71	84.81

**8.1 Quoted debentures**

	2017	2016
	Rs.Mn	Rs.Mn
Hatton National Bank PLC	6.67	6.64
Central Finance Company PLC	-	3.55
Lion Brewery	-	-
Lion Brewery	4.20	3.13
Lion Brewery	-	4.18
Hayleys	-	-
Merchant Bank of Sri Lanka	-	5.51
National Development Bank	6.09	5.95
Nations Trust Bank	15.56	15.19
Richard Peris	-	2.53
Hemas	2.89	2.80
DFCC Bank	14.86	10.99
DFCC Bank	-	14.17
MTD Walkers	10.46	10.18
	60.71	84.81

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

	2017	2016
	Rs.Mn	Rs.Mn
Debt securities - Quoted debentures	5 2.43	2.25
	2.43	2.25

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*For the 06 month period ended 30th September*

	<b>2017</b>	<b>2016</b>
	<b>Rs.Mn</b>	<b>Rs.Mn</b>
<b>9. FINANCIAL ASSETS - LOANS AND RECEIVABLES</b>		
<b>9.1 Repurchase agreements</b>		
First capital Treasuries PLC	-	50.81
Commercial Bank	-	21.52
Wealth Trust Securities	29.64	
	<u>29.64</u>	<u>72.34</u>
<b>9.2 Other Receivable</b>		
	-	-
	<u>29.64</u>	<u>72.34</u>
<b>10 ACCRUED EXPENSES</b>	<b>2017</b>	<b>2016</b>
	<b>Rs.Mn</b>	<b>Rs.Mn</b>
Fund manager and Registrar fee payable	0.06	0.10
Trustee and Custodian fee payable	0.04	0.03
Audit fee payable	0.17	0.16
Other payable	0.05	0.05
	<u>0.31</u>	<u>0.35</u>
<b>11 INVESTMENT INCOME</b>	<b>2017</b>	<b>2016</b>
	<b>Rs.Mn</b>	<b>Rs.Mn</b>
<b>11.1 Interest income on,</b>		
Interest on Treasury bill repurchase agreements (12.2)	1.75	2.84
Interest on debentures	3.91	5.42
Interest on saving accounts	0.10	0.06
	<u>5.77</u>	<u>8.31</u>

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



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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

**National Asset Management Limited**

**Board of Directors (30<sup>th</sup> September 2017)**

Mr. Alexis Lovell	Chairman
Mr. Indrajit Wickramasinghe	Director
Mr. Palitha Gamage	Director
Mr. Tyrone de Silva	Director
Mr. Malinda Samaratunga	Director
Mr. Wijenanada Dambawinne	Director
Mr. Suren Madhanayake	Director
Mr. Avancka Herat	Director
Ms. Khoo Siew Bee	Director