

# **NAMAL INCOME FUND**

## **Interim Report**

*For the six months ended 30<sup>th</sup> September 2018*

**National Asset Management Limited**  
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***Interim Report 2018***

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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 2018.

### Performance review

The NIF generated a return of 7.27% for the six month period under review. Interest income for the period under review decreased by Rs 1.98m, to Rs 3.79m. Net operating profit for the period decreased to Rs. 2.84m from Rs. 7.23m over the corresponding period in 2017. There was no dividend distributed to unit holders over the period.

### Market Review

The benchmark 12 month Treasury Yields declined during 1HFY19 and stood at 9.51%. The decrease was led by CBSL reducing Standing Lending Facility Rate by 25 bps to 8.50% at the beginning of the period under review. Private credit growth followed a downward trend during the period mainly due to slowdown in lending by financial institutions.

The Sri Lankan economy reported GDP growth of 3.6% YoY for 1HCY18. Growth was mainly led by recovery in agricultural sector which posted a growth of 4.9% YoY. Industries sector continued to grow at a slow pace of 1.6% YoY while service sector grew by 4.8%. Construction sub segment growth remained muted over Q2 2018 (YoY growth of -1.8%), while high growth in sub segments such as telco and financial services led to a higher growth in services sector. On external sector, trade deficit continued to widen, resulting in deficit of USD 7,240 Mn to August 2018. Significant growth in motor vehicle imports, gold and rising crude oil prices had a major impact on trade deficit. Tourism earnings grew by 12.5% to USD 2,935 Mn to August 2018, while worker remittances declined to USD 4,777 Mn, end of August 2018. Overall BoP position to August posted a surplus of USD 474 Mn.

### 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 2018, the Fund had a 50.17% allocation to debentures and 49.71% allocation in repos and cash deposits.

Sincerely,

The Fund Management Team

15<sup>th</sup> November 2018

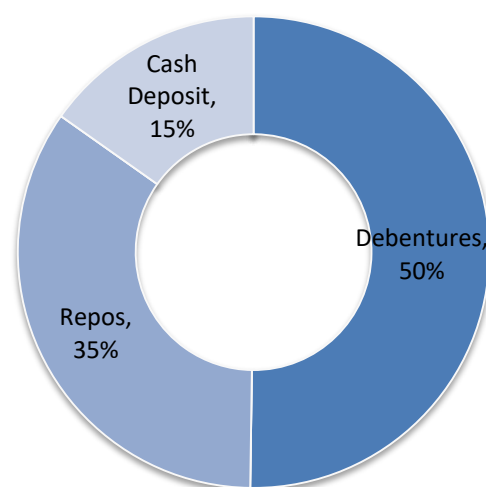
### Performance Comparison

	6M* (%)	12M (%)	24M (%)	36M (%)
NIF	7.27	7.84	9.30	8.53

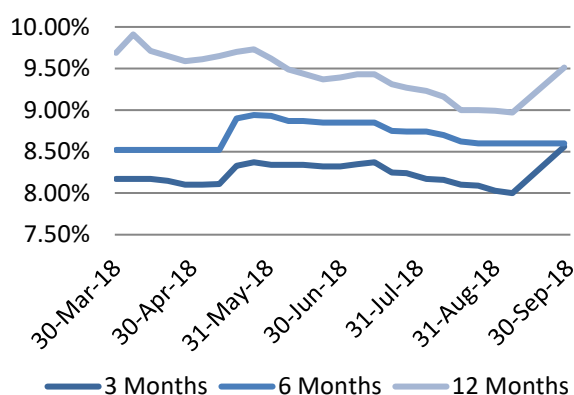
\*6 months ending 30<sup>th</sup> September 2018

\*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 30<sup>th</sup> September

	Notes	2018 Rs.Mn	2017 Rs.Mn
<b>INVESTMENT INCOME</b>			
Interest income	9.1	3.79	5.77
Net change in unrealised gains/(losses) on financial assests held for trading	6.2	0.03	2.43
<b>Total investment income</b>		<u>3.82</u>	<u>8.20</u>
<b>EXPENSES</b>			
Management and Registrar fees		(0.31)	(0.43)
Trustee and Custodian fees		(0.28)	(0.22)
Audit fee and expenses		(0.29)	(0.23)
Other expenses		(0.09)	(0.08)
<b>Total operating expenses</b>		<u>(0.97)</u>	<u>(0.96)</u>
<b>Net operating profit</b>		2.84	7.23
<b>FINANCE COST</b>			
Interest expense		-	-
<b>PROFIT AFTER DEDUCTIONS AND BEFORE TAX</b>		2.84	7.23
Income tax expense		-	(0.09)
<b>PROFIT AFTER DISTRIBUTIONS AND TAX</b>		<u>2.84</u>	<u>7.14</u>
<b>INCREASE IN NET ASSETS ATTRIBUTABLE TO UNIT HOLDERS</b>		<b>2.84</b>	<b>7.14</b>

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**STATEMENT OF FINANCIAL POSITION**

As at 30<sup>th</sup> September

	Notes	2018 Rs.Mn	2017 Rs.Mn
<b>ASSETS</b>			
Cash and cash equivalents		11.95	4.04
Financial assets - Held for trading	6	39.93	60.71
Financial assets - Loans and receivable	7	27.15	29.64
Other Receivable		-	-
Income tax recoverable		6.06	7.33
<b>Total assets</b>		<u>85.09</u>	<u>101.73</u>
<b>UNIT HOLDERS' FUNDS &amp; LIABILITIES</b>			
<b>LIABILITIES</b>			
Accrued expenses	8	<u>0.38</u>	<u>0.31</u>
<b>Total liabilities (Excluding net assets attributable to Unit Holders)</b>		<u>0.38</u>	<u>0.31</u>
<b>UNIT HOLDERS' FUNDS</b>			
<b>Net assets attributable to Unit Holders</b>		84.71	101.42
		<u>85.09</u>	<u>101.73</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 30<sup>th</sup> September**

	<b>2018</b> <b>Rs.Mn</b>	<b>2017</b> <b>Rs.Mn</b>
<b>UNIT HOLDERS' FUNDS AT THE BEGINNING OF THE YEAR</b>	91.89	119.70
Increase in net assets attributable to unit holders	2.84	7.14
Received on unit creations	0.03	0.12
Payments on unit redemptions	(10.05)	(23.81)
<b>Distribution to Unit Holders</b>	-	(1.73)
<b>UNIT HOLDERS' FUNDS AT THE END OF THE YEAR</b>	<u>84.71</u>	<u>101.42</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 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 2018/2019 as specified in part A of the second schedule to the Inland Revenue Act No. 10 of 2006.
- 3 There are no material Contingent Liabilities or contingent Assets which require disclosure in the financial statements.
- 4 No circumstances have arisen since the Balance Sheet date, which would require adjustments or disclosure in the Financial Statements.

	<b>2018</b>	<b>2017</b>
5	14.48	13.61
No of Units as at 30th september	5,433,109.20	6,909,162.00

**6 FINANCIAL ASSETS - HELD FOR TRADING**

	<b>2018</b>	<b>2017</b>
	<b>Rs.Mn</b>	<b>Rs.Mn</b>
Debt securities - Government Treasury bills	-	-
Debt securities - Quoted debentures (6.1)	39.93	60.71
	39.93	60.71

**6.1 Quoted debentures**

	<b>2018</b>	<b>2017</b>
	<b>Rs.Mn</b>	<b>Rs.Mn</b>
Hatton National Bank PLC		6.67
Central Finance Company PLC	-	-
Lion Brewery	-	-
Lion Brewery		4.20
Lion Brewery	-	
Hayleys	-	-
Merchant Bank of Sri Lanka	-	-
National Development Bank	6.06	6.09
Nations Trust Bank	15.49	15.56
Richard Peris	-	
Hemas	2.89	2.89
DFCC Bank	15.02	14.86
DFCC Bank	-	
MTD Walkers	0.47	10.46
	39.93	60.71

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

	<b>2018</b>	<b>2017</b>
	<b>Rs.Mn</b>	<b>Rs.Mn</b>
Debt securities - Quoted debentures	0.03	2.43
Debt securities - Government Treasury bonds	-	-
Bond surplus/Deficit-Last year	-	-
	0.03	2.43

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*For the 06 month period ended 30th September*

	<b>2018</b>	<b>2017</b>
	<b>Rs.Mn</b>	<b>Rs.Mn</b>
<b>7 FINANCIAL ASSETS - LOANS AND RECEIVABLES</b>		
<b>7.1 Repurchase agreements</b>		
First capital Treasuries PLC	27.15	
Commercial Bank	-	
Wealth Trust Securities		29.64
	27.15	29.64
<b>7.2 Other Receivable</b>		
	-	-
	-	-
	-	-
 <b>8 ACCRUED EXPENSES</b>		
	<b>2018</b>	<b>2017</b>
	<b>Rs.Mn</b>	<b>Rs.Mn</b>
Fund manager and Registrar fee payable	0.05	0.06
Trustee and Custodian fee payable	0.04	0.04
Audit fee payable	0.24	0.17
Other payable	0.05	0.05
	0.38	0.31
	0.38	0.31
 <b>9 INVESTMENT INCOME</b>		
	<b>2018</b>	<b>2017</b>
	<b>Rs.Mn</b>	<b>Rs.Mn</b>
<b>9.1 Interest income on,</b>		
Interest on Treasury bill repurchase agreements	1.00	1.75
Interest on debentures	2.72	3.91
Interest on saving accounts	0.06	0.10
	3.79	5.77
	3.79	5.77



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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 & Notaries Public 216, De Saram Place Colombo 10.
Management Company & Registrars	National Asset Management Limited (NAMAL) 7, Glen Aber Place, Colombo 03.

National Asset Management Limited  
Board of Directors (As of 30th September 2018)

Mr. Alexis Lovell	Chairman
Mr. Indrajit Wickramasinghe	Director
Mr. Tyronne de Silva	Director
Mr. Malinda Samaratunga	Director
Mr. Wijenanada Dambawinne	Director
Mr. Suren Madhanayake	Director
Ms. Khoo Siew Bee	Director
Mr. Kapila Nanayakkara	Director