




CT CLSA EQUITY FUND

**INTERIM REPORT
FOR THE SIX MONTHS ENDED
30TH SEPTEMBER 2023**



Commitment. Trust. Continuity



FUND MANAGER REPORT

Equity Fund

Dear Investor,

We take pleasure in presenting the Half-Yearly Report of the CT CLSA Equity Fund for the period ended 30th September 2023.

Economic Review and Outlook

Sri Lanka's economy contracted by -3.1%¹ YoY in 2Q2023, compared to a decline of -7.4%¹ YoY in the corresponding period of last year. Consequently, the economy contracted by -7.9% YoY in 1H2023. During 2Q2023, the Industrial and Services sectors experienced contractions of -11.5%¹ YoY and -0.8%¹ YoY, respectively whilst the Agriculture sector recorded a positive growth of +3.6%¹ YoY. According to the IMF staff report published in March 2023, the Sri Lankan economy is projected to witness a contraction of -3.0% YoY in 2023 before recording a growth of +1.5% YoY in 2024E. We expect the economy to recover in 2H2023E aided by growth in the agriculture sector, improving tourism earnings and a low base effect. Moreover, measures taken by the Central bank of Sri Lanka to ease policy interest rates and the decline in market lending rates in response to falling policy rates are expected to gradually increase demand for private credit led consumption and investments in the medium term. Although, the near-term outlook for the merchandise exports sector looks challenging, stable and growing remittances from Sri Lankan workers living abroad is expected to support the external sector. Moreover, receipt of the second tranche of funding from the IMF (following the successful completion of the 1st review of the program by its board) and other multilateral lending partners are expected to alleviate any downside pressures on the currency in 2023E

CBSL began the easing of its monetary policy stance with effect from 01st June 2023 by lowering the policy interest rates, i.e., the Standing Deposit Facility Rate (SDFR) and the Standing Lending Facility Rate (SLFR), of the Central Bank to 13.00%² and 14.00%², respectively. Subsequently, the CBSL further reduced the rates by a sum of 300 bps in the monetary policy meetings held in July and October. The monetary board was of the view that inflation was on a disinflation path towards the target range and an easing of monetary policy was needed to stimulate a rebound in the economy through an increase in private credit flows.

Treasury Bill yields for 3 months, 6 months and 12 months were 17.42%³, 15.13%³ & 13.30%³, respectively as at end of September 2023. In line with the decline in government securities yields, market interest rates adjusted downwards with the AWPLR at 14.67%⁴ in September amid an improvement in monetary conditions and banking sector liquidity.

¹ Department of Census and Statistics, National Accounts 2023Q2

² https://www.cbsl.gov.lk/sites/default/files/cbslweb_documents/press/pr/press_20230601_Monetary_Policy_Review_No_4_2023_e1.pdf

³ https://www.cbsl.gov.lk/sites/default/files/cbslweb_documents/press/pr/press_20230926_treasury_bill_auction_held_on_26_september_2023_e.pdf

⁴ https://www.cbsl.gov.lk/sites/default/files/cbslweb_documents/statistics/wei/WEI_20230927_e.pdf

Point to point inflation measured by Colombo Consumer Price Index (CCPI) closed at 1.3%⁵ as of September 2023. Food inflation declined -5.2%⁶ YoY whilst Non-Food inflation increased 4.7%⁶ YoY due to increases observed in sub-sectors such as Housing, Water, Electricity, Gas and others, and Clothing and Footwear. Meanwhile, the inflation measured by the National Consumer Price index (NCPI) closed at 0.8%⁷ on point-to-point basis as of September 2023. Although, headline inflation as measured by the Colombo Consumer Price Index is below the target range of the Central Bank of Sri Lanka, the monetary board acknowledges the possibility of near-term overshooting of headline inflation above its target range given the prevailing uncertainty around global energy prices and its contingent effect on prices of other goods/services.

Meanwhile, gross official reserves were estimated at US dollars 3.5bn⁸ by end September 2023 including the swap facility from the People's Bank of China, equivalent to around US\$1.4bn, which is subject to conditionality on usability. We expect the LKR to remain stable in the immediate near term aided by fresh funding from the IMF and other multilateral lending partners, however, monetary policy easing, relaxation of import controls and resumption of external debt servicing are expected to exert pressure on the LKR in the medium term. The Sri Lankan rupee appreciated by +10.6% on a YoY basis to stand at Rs.324.5/US\$ as of end September 2023.

Market Review

Year to Date, the All Share Price Index (ASPI) has increased +33.5% while the S&P SL20 Index has gained by +21.3%. The market witnessed a turnaround in investor sentiment, initially, with the approval by the IMF board of the extended fund facility arrangement in March 2023. This was followed by the commencement of the monetary easing cycle in June 2023 and the announcement of the domestic debt restructuring parameters towards the end of the same month. Both events further catalyzed investor participation as interest rates normalized and equities remained undervalued.

Investors positioned into banks and finance companies post-clarity on the treatment/restructure of domestic debt. Meanwhile, a steady improvement in tourist arrivals and a declining interest rates environment lured investor attention towards tourism/consumption related counters.

⁵ Department of Census and Statistics, Movements of CCPI, Pg. 01

⁶ Department of Census and Statistics, Food and Non-Food inflation, Pg. 01

⁷ Department of Census and Statistics, Movements of NCPI, Pg. 01

⁸ Central Bank of Sri Lanka, Weekly Economic Indicators – 27 Oct, Pg. 15

Fund Performance

In the six months to September 2023, the CT CLSA Equity Fund has advanced by +27.0% outperforming the ASPI and S&P SL20 which increased by +21.9% and +19.2%, respectively. The fund continued to focus on fundamentally robust, undervalued, liquid counters with sustainable earnings and free cashflow generation. The fund's exposure to equity stood at 299Mn as at 30th September 2023. In the period under review, the fund increased its exposure to the banking sector counters given historically low valuations and the likelihood of earnings recovery in 2H2023E, and increased selected exposures within "Capital Goods" and "Consumer Durables and Apparel" sectors. The fund continues to invest in companies that are reasonably priced and exhibit sustainably strong earnings/free cash flow growth

CT CLSA Equity Fund Performance vs. ASPI & S&PSL20; March 2023 – September 2023

	1 Month (%)	3 Month (%)	6 Month (%)
CEF	2.3	22.2	27.0
ASPI	2.0	20.0	21.9
S&P SL20	2.1	17.8	19.2

Outlook

The economy has shown signs of stabilization with inflation reaching low single digit levels. Meanwhile, supply side constraints and the acute shortages faced by the population in 2022 are largely addressed. Key foreign exchange sources such as tourism earnings and worker remittances have recovered whilst import restrictions brought in place to safeguard foreign currency reserves are being gradually removed. Progress has been made in completing the first review of the IMF program which is expected to unlock fresh funding from the global lender of last resort. Moreover, talks are being held with bilateral and private creditors to reach an agreement on the restructuring of the country's external debt. With inflation easing and the domestic debt restructure now complete, market interest rates have declined from their record highs. As interest rates continue to adjust downwards, we expect domestic funds to flow towards equities and corporate credit. Equities stand to further benefit from corporates reporting stronger profitability in the upcoming quarters as topline recovers and finance costs pressures subside. Moreover, attractive valuations of local equities in comparison to regional markets and the relatively stable footing of the Sri Lankan economy are expected to entice foreign fund flows.

In our view, equities are expected to outperform over the next 12-18 months aided by easing interest rates, recovery in economic environment/corporate profitability, attractive valuations and equity as an asset class remaining tax efficient. In order to capture the benefit of upward valuation re-rating, we remain overweight on equities whilst focusing our investments on a select list of companies that exhibit strong fundamentals and potential for earnings growth in the near-medium term.

**INTERIM FINANCIAL STATEMENTS
30TH SEPTEMBER 2023**

CT CLSA EQUITY FUND
STATEMENT OF COMPREHENSIVE INCOME FOR THE
PERIOD ENDED AS 30 SEPTEMBER 2023

	Note	30.09.23	31.03.23
		Rs.	(Audited) Rs.
Income			
Dividend income		3,499,937	5,746,391
Interest income from financial assets at amortised cost	1	4,711,710	27,313,051
Net realized loss on financial assets held at fair value through profit and loss	2	14,872,543	(8,404,097)
Net change in unrealized gain on financial assets held at fair value through profit and loss		45,227,239	13,186,349
Total Investment gain		<u>68,311,429</u>	<u>37,841,694</u>
Expenses			
Management fee		(2,427,505)	(3,847,500)
Trustee and Custodian fee		(548,861)	(901,627)
Audit fee		(135,308)	(154,000)
Other expenses		(94,953)	(204,555)
		<u>(3,206,628)</u>	<u>(5,107,682)</u>
Profit/(loss) after deductions and before tax		<u>65,104,801</u>	<u>32,734,012</u>
Income tax expense		-	-
Increase in net assets attributable to unit holders		<u>65,104,801</u>	<u>32,734,012</u>

The above statement of comprehensive income should be read in conjunction with the accompanying notes.

CT CLSA EQUITY FUND
STATEMENT OF FINANCIAL POSITION
AS AT 30 SEPTEMBER 2023

	Note	30.09.23 Rs.	31.03.23 (Audited) Rs.
Assets			
Cash and cash equivalents	3	12,919,722	5,533,981
Other receivables	4	9,585,463	8,521,322
Receivable from sales of shares		-	
Financial assets held at fair value through profit or loss	5	298,550,939	179,524,480
Financial assets - at amortised cost	6	36,774,530	55,339,163
Income tax receivable			
Total assets		357,830,654	248,918,946
Unit Holders' funds and Liabilities			
Liabilities			
Payables	7	6,348,303	6,978,584
Total liabilities		6,348,303	6,978,584
Net assets attributable to unitholders		351,482,351	241,940,362
Unit Holders' Funds			
Net assets attributable to unitholders		351,482,351	241,940,362

These financial statements were approved by the Board of Directors of the Management Company and the Trustee on

.....
CT CLSA Asset Management (Private) Limited
Fund Management Company

.....
CT CLSA Asset Management (Private) Limited
Fund Management Company

.....
(Hatton National Bank - Trustee)



The above statements of financial position should be read in conjunction with the accompanying notes.

CT CLSA EQUITY FUND
STATEMENT OF CHANGES IN UNITHOLDERS' FUNDS
AS AT 30 SEPTEMBER 2023

	Notes	Rs.
Unit Holders' funds as at 01st April 2022		212,642,534
Increase in net assets attributable to unit holders		32,734,012
Received on unit creations		(3,436,184)
Paid on unit redemptions		
Unit Holders' funds as at 31st March 2023		<u>241,940,362</u>
Unit Holders' funds as at 01st April 2023		241,940,362
Increase in net assets attributable to unit holders		65,104,801
Received on unit creations		65,170,656
Paid on unit redemptions		(20,733,468)
Unit Holders' funds as at 30th September 2023	8	<u>351,482,351</u>

The above statement of changes in unitholders' funds should be read in conjunction with the accompanying notes.

CT CLSA EQUITY FUND
STATEMENT OF CASH FLOWS
FOR THE PERIOD ENDED 30 SEPTEMBER 2023

	30.09.2023	31.03.2023
	Rs.	(Audited) Rs.
Cash flows from operating activities		
Interest received	4,711,710	23,875,834
Dividends received	3,499,937	5,191,781
Operating expenses paid	(3,836,909)	(5,295,111)
Decrease in financial investments - at fair value through profit of loss	(58,926,677)	(86,025,761)
Decrease in other receivables	(1,064,141)	1,694,198
Increase in other payables		5,605,283
Net investments in Treasury Bills	46,676,668	(50,739,068)
Net investments in Repurchase Agreement	(15,000,000)	
Net investments in bank deposit placement fees	-	
Net investments in fixed deposits	-	70,958,049
Net investments in commercial papers	-	45,246,510
Net Investment in Treasury Bonds	(13,112,035)	(4,600,095)
Net Cash Generated from operating activities	<u>(37,051,447)</u>	<u>5,911,620</u>
Cash flows from financing activities		
Amounts received on unit creations	65,170,656	288,054
Amounts paid on unit redemptions	(20,733,468)	(3,724,238)
Net cash flow used in financing activities	<u>44,437,188</u>	<u>(3,436,184)</u>
Net increase in cash and cash equivalents	7,385,741	2,475,436
Cash and cash equivalents at the beginning of the year	5,533,981	3,058,545
Cash and cash equivalents at the end of the year	<u><u>12,919,722</u></u>	<u><u>5,533,981</u></u>

These financial statements were approved by the Board of Directors of the Management Company and the Trustee.

CT CLSA EQUITY FUND
NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 SEPTEMBER 2023

1. Interest income from financial assets not held at fair value through profit and loss

	30.09.2023	31.03.2023 (Audited)
Interest from		
Interest on Repurchase Agreements	710,452	-
Interest on Commercial Papers / ABS	-	2,229,305
Interest on Corporate Savings	888,079	2,531,636
Interest on Treasury Bills	2,943,487	16,793,288
Interest on Treasury Bonds	169,692	1,580,113
Interest on Fixed Deposits	-	4,149,361
Placement Fee Income	-	29,348
	<u>4,711,710</u>	<u>27,313,051</u>

2 Net realized gain/(loss) on financial assets held at fair value through profit and loss

Net Realised Capital Gain on Equity	12,325,684	(8,404,097)
Capital Gains on Treasury Bonds	2,546,860	
	<u>14,872,543</u>	<u>(8,404,097)</u>

3 Cash and cash equivalents

Cash at bank	25,000	25,000
Corporate Savings Account	12,894,722	5,508,981
	<u>12,919,722</u>	<u>5,533,981</u>

4 Other receivables

Dividend receivables	39,210	1,949,137
Interest Receivable on Repurchase Agreement	157,849	-
Interest Income - Corporate Savings	23,363	60,448
Trade Debtors Equity		
CDS Receivable	769,287	2,683,190
Treasury Bond Interest Receivable	3,199,301	1,092,667
Treasury Bill Interest Receivable	5,379,188	2,718,615
Fixed Deposit Placement Fee Receivable	17,265	17,265
	<u>9,585,463</u>	<u>8,521,322</u>

5 Financial assets held at fair value through profit or loss

Investments on Equities	298,550,939	179,524,478
Market Appreciation on Equity	-	-
	<u>298,550,939</u>	<u>179,524,478</u>

Name of the Company	2023.09.30		2023.03.31 (Audited)	
	Number of Shares	Market Value	Number of Shares	Market Value
Access Engineering PLC	240,085.00	4,753,683.00	-	-
ACL Cables PLC	170,000.00	13,345,000.00	75,000.00	6,172,500.00
Agarapatana Plantations PLC	186,620.00	1,679,580.00	-	-
Aitken Spence Hotel Holdings PLC	229,584.00	18,160,094.40	247,496.00	14,825,010.40
Asian Hotels And Properties PLC	145,000.00	9,019,000.00	-	-
Asiri Hospital Holdings PLC	-	-	29,014.00	722,448.60
B P P L Holdings PLC	517,498.00	10,970,957.60	348,293.00	7,348,982.30
Capital Alliance PLC	12,898.00	1,004,754.20	140,000.00	4,564,000.00
Cargills (Ceylon) PLC	27,780.00	9,848,010.00	50,465.00	11,758,345.00
Chevron Lubricants Lanka PLC	102,000.00	9,322,800.00	135,000.00	12,366,000.00
Dialog Axiata PLC	576,301.00	6,281,680.90	686,301.00	7,137,530.40
Distilleries Company Of Sri Lanka P	215,327.00	6,029,156.00	328,978.00	6,447,968.80
Haycarb PLC	89,090.00	6,058,120.00	-	-
Hayleys PLC	196,537.00	18,277,941.00	135,000.00	9,720,000.00
Hayleys Fabric PLC	397,101.00	19,060,848.00	63,922.00	1,610,834.40
Hemas Holdings PLC	206,740.00	16,497,852.00	180,000.00	11,700,000.00
John Keells Holdings PLC	114,215.00	22,014,941.25	134,715.00	18,860,100.00
Kelani Tyres PLC	66,149.00	4,431,983.00	-	-
Lanka Walltile PLC	-	-	74,195.00	3,568,779.50
Nations Trust Bank PLC	150,575.00	16,525,606.25	-	-
Nestle Lanka PLC	2,750.00	3,080,687.50	2,750.00	2,939,750.00
Pan Asia Banking Corporation PLC	450,000.00	9,090,000.00	-	-
People'S Leasing & Finance PLC	1,483,150.00	16,314,650.00	1,409,015.00	11,131,218.50
Pgp Glass Ceylon PLC	434,048.00	11,762,700.80	365,725.00	7,021,920.00
Sampath Bank PLC	400,951.00	28,066,570.00	372,367.00	19,549,268.00
Singer (Sri Lanka) PLC	191,529.00	3,198,534.30	-	-
Softlogic Life Insurance PLC	62,500.00	4,625,000.00	-	-
Sri Lanka Telecom PLC	-	-	25,576.00	2,404,144.00
Teejay Lanka PLC	180.00	6,426.00	180.00	5,760.00
Tokyo Cement Company (Lanka) PLC	306,161.50	16,838,882.50	166,002.00	8,300,100.00
Union Assurance PLC	-	-	50,000.00	1,650,000.00
Windforce PLC	664,080.00	12,285,480.00	589,080.00	9,719,820.00
		<u>298,550,938.70</u>		<u>179,524,479.90</u>

	30.09.2023	31.03.2023 (Audited)
6 Financial Assets at Amortised Cost		
Investments in T. Bills Primary	4,062,400	50,739,068
Bank Deposits Placement Fee Receivable	-	-
Investments in Commercial Papers	-	-
Investments in Fixed Deposits	-	-
Investment in Repurchase Agreements	15,000,000	-
Investment on Treasury Bonds	17,712,130	4,600,095
	<u>36,774,530</u>	<u>55,339,163</u>
7 Payables		
Management Fee Payable	1,395,484	1,007,842
Trustee fee payables	234,242	169,016
Custodian fee payable	71,107	69,633
Audit fee payable	545,529	126,214
Trade payable	4,101,941	-
Trade Creditors Equity	-	5,601,283
Money Payable on Unit Redemption	-	4,596
	<u>6,348,303</u>	<u>6,978,584</u>
8 Net Asset Value		
	As at 30.09.2023	As at 31.03.2023
Net Asset Value as per the financial statement	351,482,351	241,051,066
Adjustment (if any)	-	889,296
Published NAV	351,482,351	241,940,362
Number of unit outstanding	10,480,034	9,131,589
Published NAV /Unit	33.54	26.40