



# **CT CLSA HIGH YIELD FUND**

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



**CT CLSA**

**Commitment. Trust. Continuity**

# FUND MANAGER REPORT

## High Yield Fund

Dear Investor,

We take pleasure in presenting the Half-Yearly Report of the CT CLSA High Yield Fund for the period ended 30<sup>th</sup> September 2023.

### Economic Review and Outlook

Sri Lanka's economy contracted by -3.1%<sup>1</sup> YoY in 2Q2023, compared to a decline of -7.4%<sup>1</sup> 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%<sup>1</sup> YoY and -0.8%<sup>1</sup> YoY, respectively whilst the Agriculture sector recorded a positive growth of +3.6%<sup>1</sup> 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 1<sup>st</sup> 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 01<sup>st</sup> 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%<sup>2</sup> and 14.00%<sup>2</sup>, 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%<sup>3</sup>, 15.13%<sup>3</sup> & 13.30%<sup>3</sup>, 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%<sup>4</sup> in September amid an improvement in monetary conditions and banking sector liquidity.

<sup>1</sup> Department of Census and Statistics, National Accounts 2023Q2

<sup>2</sup> [https://www.cbsl.gov.lk/sites/default/files/cbslweb\\_documents/press/pr/press\\_20230601\\_Monetary\\_Policy\\_Review\\_No\\_4\\_2023\\_e1.pdf](https://www.cbsl.gov.lk/sites/default/files/cbslweb_documents/press/pr/press_20230601_Monetary_Policy_Review_No_4_2023_e1.pdf)

<sup>3</sup> [https://www.cbsl.gov.lk/sites/default/files/cbslweb\\_documents/press/pr/press\\_20230926\\_treasury\\_bill\\_auction\\_held\\_on\\_26\\_september\\_2023\\_e.pdf](https://www.cbsl.gov.lk/sites/default/files/cbslweb_documents/press/pr/press_20230926_treasury_bill_auction_held_on_26_september_2023_e.pdf)

<sup>4</sup> [https://www.cbsl.gov.lk/sites/default/files/cbslweb\\_documents/statistics/wei/WEI\\_20230927\\_e.pdf](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%<sup>5</sup> as of September 2023. Food inflation declined -5.2%<sup>6</sup> YoY whilst Non-Food inflation increased 4.7%<sup>6</sup> 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%<sup>7</sup> 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 3.5bn<sup>8</sup> 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.

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<sup>6</sup> Department of Census and Statistics, Movements of CCPI, Pg. 01

<sup>7</sup> Department of Census and Statistics, Food and Non-Food inflation, Pg. 01

<sup>8</sup> Department of Census and Statistics, Movements of NCPI, Pg. 01

## **Fund Performance**

As at 30 September 2023, the Net Asset Value per unit of the fund stood at Rs.15.9046. The investments of your fund consist of Treasury bills, Fixed Deposits, Short-term Corporate Debt Securities, Repurchase agreements and Corporate Savings with 27% of the funds maturing within 6 months – 12 months (longer end of the permissible investment horizon for money market funds). As of end September, average maturity of the fund stood at 3.9 months resulting in stickier yields for the fund notwithstanding the notable decline in market deposit rates and G-seq yields following the announcement of the domestic debt restructure perimeters. In terms of credit quality, 94.8% of the Fund's investments are in A- and above rated instruments, ensuring sound credit worthiness.

**INTERIM FINANCIAL STATEMENTS**  
**30TH SEPTEMBER 2023**

**CT CLSA High Yield Fund**  
**Statement of Comprehensive Income for the Period Ended as 30th September 2023**


	Note	30-Sep-23 Rs.	31-Mar-23 (Audited) Rs.
<b>Income</b>			
Interest Income	01	399,697,103	338,286,670
<b>Net investment income</b>		<u>399,697,103</u>	<u>338,286,670</u>
<b>Operating Expenses</b>			
Management Fee		(8,984,240)	(8,875,530)
Custodian and Trustee Fee		(4,371,963)	(4,310,562)
Audit Fees & tax fees		(87,282)	(313,524)
Legal fee		-	(20,000)
Printing & stationary		-	(12,100)
Advertising		-	(28,277)
Bank charges		(75,698)	(74,700)
<b>Total Operating Expenses</b>		<u>(13,519,183)</u>	<u>(13,634,693)</u>
<b>Net Operating Profit Before Taxation</b>		<b>386,177,920</b>	<b>324,651,977</b>
Income Taxation		-	-
<b>Increase in net assets attributable to unit holders</b>		<u><b>386,177,920</b></u>	<u><b>324,651,977</b></u>



**CT CLSA High Yield Fund**  
**Statement of Financial Position as at 30 September 2023**

	Note	As at 30 Sep 23 Rs.	As at 31st Mar 23 (Audited) Rs.
<b>Assets</b>			
Cash and cash equivalents	02	300,379,688	120,916,273
Financial assets - at amortised cost	03	5,015,165,733	1,567,478,521
Other Receivables - (Corporate Savings)	04	-	2,216,887
<b>Total Assets</b>		<b>5,315,545,421</b>	<b>1,690,611,681</b>
<b>Unit Holders' Funds and Liabilities</b>			
<b>Liabilities</b>			
Payables	05	45,648,551	9,780,414
<b>Total Liabilities</b>		<b>45,648,551</b>	<b>9,780,414</b>
<b>Net assets attributable to unitholders</b>		<b>5,269,896,870</b>	<b>1,680,831,267</b>
<b>Unit Holders' Funds</b>			
Net Assets Attributable to Holders of Units	06	5,269,896,870	1,680,831,267

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

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CT CLSA Asset Management (Private) Limited  
Fund Management Company

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

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


**CT CLSA High Yield Fund**  
**Statement of Changes in Unitholders' Funds as at 30 September 2023**

	Note
	Rs.
<b>Unit Holders' funds as at 01st April 2022</b>	<b>2,260,081,846</b>
Increase in net assets attributable to unit holders	3,020,376,588
Distribution of Dividend	(133,676,155)
Movement due to creation and redemption of units	
: Reciepts on unit creations	-
: Payments on unit redemptions	(3,465,951,012)
<b>Unit Holders' funds as at 31st March 2023</b>	<b><u>1,680,831,267</u></b>
<b>Unit Holders' funds as at 01st April 2023</b>	<b>1,680,831,267</b>
Increase in net assets attributable to unit holders	386,177,920
Distribution of Dividend	-
Movement due to creation and redemption of units	
: Reciepts on unit creations	6,526,553,192
: Payments on unit redemptions	(3,323,665,510)
<b>Unit Holders' funds as at 30th September 2022</b>	<b><u>5,269,896,870</u></b>

06

**CT CLSA High Yield Fund**  
**Statement of Cashflows for the Period Ended 30th September 2023**

	Note	As at 30 Sep 23	As at 31 Mar 23 (Audited)
		Rs.	Rs.
<b>Cash flows from operating activities</b>			
Net interest received		401,913,990	276,085,037
Net investments in repurchase agreements		(162,150,137)	(40,000,000)
Net Investment in Treasury bills		(2,947,367,020)	(995,860,067)
Net investments in commercial paper		(312,380,172)	316,439,151
Net investments in fixed deposits		33,045,161	1,328,907,109
Net investment in assets backed securities		(58,835,044)	60,000,000
Fees and expenses paid		22,348,955	(14,267,138)
<b>Net used in operating activities</b>		<u>(3,023,424,268)</u>	<u>931,304,092</u>
<b>Cash flows from financing activities</b>			
Payments for redemptions by unit holders		(3,323,665,510)	(3,459,960,232)
Proceeds from applications by unit holders		6,526,553,192	2,695,724,611
Dividends paid		-	(133,676,155)
<b>Net cash flow from financing activities</b>		<u>3,202,887,682</u>	<u>(897,911,776)</u>
<b>Net increase in cash and cash equivalents</b>		<u>179,463,415</u>	<u>33,392,316</u>
Cash and cash equivalents at the beginning of the year		120,916,273	87,523,957
<b>Net Cash inflow</b>		<u>300,379,688</u>	<u>120,916,273</u>
<b>Cash and cash equivalents at the end of the year</b>		<u>300,379,688</u>	<u>120,916,273</u>

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

**CT CLSA High Yield Fund**  
**Notes to the Financial Statements for the Period Ended 30 September 2023**

**01 Interest income from financial assets not held at fair value through profit or loss**

	<b>30-Sep-23</b>	<b>31-Mar-23 (Audited)</b>
Interest on Repurchase Agreements	8,568,288	3,317,305
Interest on Commercial Papers	13,031,760	12,901,954
Interest on Asset Backed Securities	2,579,684	2,631,189
Interest on Corporate Savings	12,197,029	30,121,046
Interest on Treasury Bills	331,784,314	194,363,149
Interest on Fixed Deposits	31,513,862	92,147,585
Placement Fee Received	-	2,804,442
Interest on Government Bonds	22,167	-
	<u>399,697,103</u>	<u>338,286,670</u>

**02 Cash and cash equivalents**

Cash at bank	25,000	25,000
Corporate Savings Account	300,354,688	120,891,273
	<u>300,379,688</u>	<u>120,916,273</u>

**03 Financial assets - at amortised cost**

Repurchase agreements - Market value	202,219,178	40,069,041
Commercial papers - Market value	312,380,172	-
Fixed deposits - Market value	333,367,774	366,412,935
Asset Backed Securities	58,835,044	-
Treasury bills - Market value	4,108,363,565	1,160,996,545
	<u>5,015,165,733</u>	<u>1,567,478,521</u>

**04 Other Receivables**

Placement Fee Receivable	-	-
Payable on Unit Creation	-	-
Other Receivables	-	2,216,887
	<u>-</u>	<u>2,216,887</u>

**05 Payables**

Payables on Unit Redemption	36,054,303	6,090,817
Audit Fees Payable	572,522	427,185
Trustee Fee Payable	2,867,121	1,020,852
Custodian Charge Payable	71,080	69,534
Management Fee Payable	6,083,525	2,172,026
	<u>45,648,551</u>	<u>9,780,414</u>

	30-Sep-23	31-Mar-23 (Audited)
<b>06 Net assets attributable to unitholders</b>		
Opening Balance (31 Mar 23)	1,680,831,267	2,260,081,846
Applications	6,526,553,192	2,695,724,611
Redemptions	(3,323,665,510)	(3,465,951,012)
Increase/decrease in net assets attributable to unitholders	386,177,920	324,651,977
Dividend Distributed	-	(133,676,155)
Closing Balance (30 Sep 22)	<u>5,269,896,870</u>	<u>1,680,831,267</u>

**07 Net Asset Value Reconciliation**

	As at 30.09.2023	As at 31.03.2023 (audited)
Net Asset Value as per the financial statement	5,269,896,870	1,680,831,267
Adjustment (if any)		-
Published NAV	5,269,896,870	1,680,831,267
Number of unit outstanding	331,344,322	118,042,764
Published NAV /Unit	15.90	14.24