

# **CT CLSA GILT EDGED FUND**

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



**Commitment. Trust. Continuity**

# FUND MANAGER REPORT

## Gilt Edged Fund

Dear Investor,

We take pleasure in presenting the Half-Yearly Report of the CT CLSA Gilt Edged 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>5</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.14.77, resulting in a YTD return of 17.8% as of end September 2023. As at 30 September 2023, the investments of your fund consist exclusively of Repurchase Agreements safeguarding daily returns from volatility. As the domestic debt restructure is now complete, the fund will look to extend duration of its government securities portfolio in order capture the benefits of the ongoing downward adjustment in interest rates.



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

**CT CLSA Gilt Edged 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	14,636,493	40,473,751
Net unrealized gains on financial assets held at FVPL	02	(1)	100,551
<b>Total investment income</b>		<u>14,636,492</u>	<u>40,574,302</u>
<b>Operating Expenses</b>			
Management Fee		(205,948)	(513,342)
Trustee Fee		(161,400)	(393,875)
Custodian Fee		(141,386)	(273,859)
Audit Fee		(136,081)	(296,999)
Advertising fee		(0)	(28,268)
Printing and stationary		-	(12,100)
Legal fee		-	(20,000)
Other Operating Expenses		(7,559)	(19,921)
<b>Total Operating Expenses</b>		<u>(652,375)</u>	<u>(1,558,364)</u>
<b>Net Operating Profit Before Taxation</b>		<b>13,984,118</b>	<b>39,015,938</b>
<b>Increase in net assets attributable to unit holders</b>		<u><b>13,984,118</b></u>	<u><b>39,015,938</b></u>

**CT CLSA Gilt Edged Fund**  
**Statement of Financial Position as at 30 September 2023**

	Note	30-Sep-23		30-Mar-23 (Audited)	
		Rs.	% NAV	Rs.	% NAV
<b>Assets</b>					
Cash and cash equivalents	03	2,077,653	2.0%	1,988,784	1.5%
Financial assets held at fair value through profit and loss	04	-	0.0%	-	0.0%
Financial assets - at amortised cost	05	101,953,414	98.8%	136,291,881	101.3%
<b>Total Assets</b>		<b>104,031,067</b>	<b>100.8%</b>	<b>138,280,665</b>	<b>102.8%</b>
<b>Unit Holders' Funds and Liabilities</b>					
<b>Liabilities</b>					
Payables	06	796,794	0.8%	3,727,411	2.8%
<b>Total Liabilities (Excluding net assets to unit holders)</b>		<b>796,794</b>	<b>0.8%</b>	<b>3,727,411</b>	<b>2.8%</b>
<b>Net Assets Attributable to Holders of Units</b>	07	<b>103,234,273</b>	<b>100.0%</b>	<b>134,553,254</b>	<b>100.0%</b>
<b>Unit Holders' Funds</b>					
<b>Net Assets Attributable to Holders of Units</b>		<b>103,234,273</b>	<b>100.0%</b>	<b>134,553,254</b>	<b>100.0%</b>

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

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

.....  
Hatton National Bank  
Trustee



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

**Comtrust Gilt Edged Fund**  
**Statement of Changes in Unitholders' Funds as at 30 September 2023**

	Note
<b>Unit Holders' funds as at 01st April 2021</b>	<b>28,910,058</b>
Increase in net assets attributable to unit holders	39,015,938
Movement due to creation and redemption of units	
: Receipts on unit creations	349,782,162
: Payments on unit redemptions	(283,154,904)
Distribution of Dividend to unit holders	-
<b>Unit Holders' funds as at 31st March 2022</b>	<b>07    <u>134,553,254</u></b>
<b>Unit Holders' funds as at 01st April 2022</b>	<b>134,553,254</b>
Increase in net assets attributable to unit holders	13,984,118
Movement due to creation and redemption of units	
: Receipts on unit creations	8,013,563
: Payments on unit redemptions	(53,316,662)
Distribution of Dividend to unit holders	-
<b>Unit Holders' funds as at 30th September 2023</b>	<b>07    <u>103,234,273</u></b>

**CT CLSA Gilt Edged Fund**  
**Statement of Cashflows for the Period Ended 30th September 2023**

	As at 30 Sep 23	As at 31 Mar 23 (Audited)
	Rs.	Rs.
<b>Cash flows from operating activities</b>		
Net interest received	17,672,690	38,829,759
Net investments in repurchase agreements	35,100,000	(129,879,904)
Net investments in T-Bills	(3,797,730)	24,476,800
Fees and expenses paid	(3,582,992)	1,697,558
<b>Net cash flow from / (used in) operating activities</b>	<b><u>45,391,968</u></b>	<b><u>(64,875,787)</u></b>
<b>Cash flows from financing activities</b>		
Amount received on unit creations	8,013,563	349,782,162
Amount paid on unit redemptions	(53,316,662)	(283,154,904)
<b>Net cash flow (used in) / from financing activities</b>	<b><u>(45,303,099)</u></b>	<b><u>66,627,258</u></b>
 Net (decrease) / increase in cash and cash equivalents	 88,869	 1,751,471
Cash and cash equivalents at the beginning of the financial year	1,988,784	237,313
<b>Cash and cash equivalents at the end of the year</b>	<b><u>2,077,653</u></b>	<b><u>1,988,784</u></b>

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



**CT CLSA Gilt Edged Fund**  
**Notes to the Financial Statements for the Period Ended 30 September 2023**

	<b>30-Sep-23</b>	<b>31-Mar-23 (Audited)</b>
<b>01 Interest income from financial assets not held at fair value through profit or loss</b>		
Interest on repurchase agreements	14,636,493	40,192,025
Interest on Treasury Bills	-	281,726
Interest on Treasury Bonds	-	-
	<u>14,636,493</u>	<u>40,473,751</u>
<b>02 Net unrealized gains on financial assets held at FVPL</b>		
Unrealized capital gain on treasury bills	(1)	100,551
	<u>(1)</u>	<u>100,551</u>
<b>03 Cash and cash equivalents</b>		
Cash at bank	2,077,653	1,988,784
<b>04 Financial assets held at fair value through profit and loss</b>		
Investment in Unit Capital	-	-
Accrued interest on Treasury Bills	-	-
Market Appreciation on Treasury Bills	-	-
Investment in Treasury Bonds	-	-
Accrued interest on Treasury Bonds	-	-
Market Appreciation on Treasury Bonds	-	-
	<u>-</u>	<u>-</u>
<b>05 Financial assets - at amortised cost</b>		
Investment in Repurchase Agreements	99,300,000	134,400,000
Accrued interest on Repurchase Agreements	2,653,414	1,891,881
	<u>101,953,414</u>	<u>136,291,881</u>
<b>06 Payables</b>		
Audit Fees Payable	541,618	405,536
Trustee Fee Payable	80,907	110,836
Custodian Charge Payable	71,079	69,534
Management Fee Payable	103,190	141,493
Money payable on unit redemption	-	3,000,012
	<u>796,794</u>	<u>3,727,411</u>

	30-Sep-23	31-Mar-23 (Audited)
<b>07 Net assets attributable to unitholders</b>		
Opening Balance	134,553,254	28,910,058
Applications	8,013,563	349,782,162
Redemptions	(53,316,662)	(283,154,904)
Increase/decrease in net assets	13,984,118	39,015,938
Closing Balance	<u>103,234,273</u>	<u>134,553,254</u>

**08 Net Asset Value Reconciliation**

	As at 30.09.2023	As at 31.03.2023 (Audited)
Net Asset Value as per the financial statement	103,234,273	134,553,254
Adjustment (if any)		-
Published NAV	103,234,273	134,553,254
Number of unit outstanding	6,989,117	10,088,063
Published NAV /Unit	14.77	13.34