



CT CLSA EQUITY FUND



INTERIM REPORT

FOR THE SIX MONTHS ENDED
30TH SEPTEMBER 2024



CORPORATE INFORMATION

TRUSTEE & CUSTODIAN

Hatton National Bank PLC

HNB Towers, 479, T B Jayah Mawatha,

Colombo 10.

FUND MANAGER & REGISTRAR

CT CLSA Asset Management (Pvt) Ltd

04th Floor, Majestic City,

No. 10, Station Road, Colombo 04.

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AUDITORS

Nihal Hettiarachchi & Company

"RNH House", 622B, Kotte Road

Kotte

BANKERS

Hatton National Bank PLC

HNB Towers, 479, T B Jayah Mawatha,

Colombo 10.

FUND MANAGER REPORT

CT CLSA 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 2024.

Economic Review and Outlook

The Sri Lankan economy expanded by +4.7%¹ YoY in 2Q2024, compared to a contraction of -3.0%¹ YoY in the corresponding period of last year. Consequently, the economy expanded by +5.0% YoY in 1H2024. During 2Q2024, all three segments of the economy recorded positive growth with Agriculture, Industry and Services segments growing +1.7%¹ YoY, +10.9%¹ YoY and +2.5%¹ YoY, respectively. According to the IMF staff report published in June 2024, the Sri Lankan economy is projected to witness an expansion of +2.0%² YoY in 2024 before growing at a faster pace of +2.7%² YoY in 2025E. We expect the Sri Lankan economy to continue its recovery in the 2H2024E as economic and structural reforms undertaken by the government in the aftermath of the economic crisis have helped strengthened its fiscal position and stabilize price levels, allowing the Central Bank of Sri Lanka (CBSL) to maintain its policy easing stance. On the external front, a notable pick up in tourism earnings and worker remittances have countered the impact of a YoY widening of trade deficits resulting in a balance of payment surplus in the external current account for the first nine months of 2024. The aforesaid improvement in the dollar inflows to the country coupled with the suspension of external debt repayments have enabled the Central Bank of Sri Lanka (CBSL) to strengthen its forex reserves through market interventions. We view stable and improving macro-economic indicators, the political party of the elected president securing a majority in the recently concluded parliamentary elections and the government's willingness to remain in the ongoing IMF EFF program as positives.

CBSL continued its monetary easing stance during 2024 as inflationary pressures continued to subside amid LKR strength, benign global commodity prices and only a gradual recovery of economic activities. Resultantly, the CBSL relaxed its policy rates by 75bps in the first nine months of 2024 with Standing Deposit Facility Rate and Standing Lending Facility Rate anchored at 8.25% and 9.25%, respectively. The monetary board of CBSL was of the view that an easing of policy rates was necessary amid deeper than expected near term deflation, improvement in the external sector, moderation of future inflation expectations and the lack of space for market lending rates to adjust downwards.

Treasury Bill yields for 3 months, 6 months and 12 months were 10.49%³, 10.72%³ & 10.05%³, respectively as at end of September 2024. In line with the decline in government securities yields, market interest rates adjusted downwards with the AWPLR at 9.32%⁴ as of end September amid an improvement in monetary conditions and market liquidity.

¹ Department of Census and Statistics, National Accounts 2024Q2

²<https://www.imf.org/en/Publications/CR/Issues/2024/06/13/Sri-Lanka-2024-Article-IV-Consultation-and-Second-Review-Under-the-Extended-Fund-Facility-550261>

Point to point inflation measured by Colombo Consumer Price Index (CCPI) closed at deflationary territory - 0.5%⁵ as of September 2024. Both Food (-0.3% YoY) and Non-Food (-0.5% YoY) categories recorded deflation in September amid downward adjustments to administratively determined prices and an improvement in supply conditions. Meanwhile, inflation measured by the National Consumer Price index (NCPI) closed at -0.2%⁷ on point-to-point basis as of September 2024. The CBSL foresees current deflationary conditions to sustain for the next few months and thereafter gradually align with its targeted level of 5%.

Meanwhile, gross official reserves were estimated at US dollars 6.0bn⁸ by end September 2024 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 strong seasonal dollar flows in tourism and worker remittances, however, continuation of monetary policy easing, relaxation of import controls (particularly vehicle import relaxation) and resumption of external debt servicing are expected to exert pressure on the LKR in 2025E. The Sri Lankan rupee appreciated by +8.2% on a YTD basis to stand at Rs.299.4/US\$ as of end September 2024.

Market Review

Year to Date - 2024, the All Share Price Index (ASPI) has increased +11.3% while the S&P SL20 Index has gained by +12.5%. Notwithstanding the improved macro conditions, investor sentiments remained volatile in the first nine months of the year with the country heading into an election cycle. However, a decline in market interest rates and the recovery in economic activities have translated into a notable pick up in profitability of listed companies.

Investors positioned into banks tracking progress on the developments surrounding the restructuring of international sovereign bonds. Meanwhile, a reduction in market interest rates and an improvement in high frequency macro data points enticed investments into companies in the Non-Bank Finance, Capital Goods and Consumption related sectors.

³https://www.cbsl.gov.lk/sites/default/files/cbslweb_documents/press/pr/press_20240927_treasury_bill_issuance_held_on_25_september_2024_e.pdf

⁴https://www.cbsl.gov.lk/sites/default/files/cbslweb_documents/statistics/wei/WEI_20240927_e.pdf

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 – 18 Oct, Pg. 15

Fund Performance

In the six months to September 2024, the CT CLSA Equity Fund has gained +3.3% underperforming the ASPI and S&P SL20 which increased by +3.6% and +4.1%, 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 249Mn as at 30th September 2024. In the period under review, the fund increased its exposure to the banking sector counters amid improving macro/credit environment and on account of notable progress being made on the restructuring of International Sovereign Bonds issued by the Sri Lankan Government. Furthermore, the fund also raised its exposure to "Capital Goods" and "Consumer Durables and Apparel" sectors in the past six months. 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 2024 – September 2024

	1 Month (%)	3 Month (%)	6 Month (%)
CEF	7.2	-2.5	3.3
ASPI	9.1	-2.4	3.6
S&P SL20	12.9	-3.8	4.1

Outlook

The Sri Lankan economy continues to recover at a faster pace than initially expected by the IMF, supported by sound monetary policy actions undertaken by the CBSL, key structural reforms implemented by the previous administration and followed through by the current administration and a sustained improvement in the country's external sector. The uncertainty caused by the political cycle is now largely behind us as both the presidential election and the parliamentary election are now complete with an orderly transition of power expected in the upcoming weeks. However, the fiscal path to be taken by the incoming political leadership is yet to be assessed with the budget announcement for 2025E slated for early 2025. Meanwhile, significant progress has been achieved in relation to the restructuring of the country's defaulted external debt with agreements in principle signed with both official and private creditors. The International Sovereign bond exchange is expected to be completed by the end of 2024 which should mark the end of Sri Lanka's debt restructuring exercise. Sri Lanka has outperformed on quantitative targets associated with the ongoing IMF Extended Fund Facility Program and a staff level agreement has been reached with the IMF team marking the completion of the third review of the program. With inflation entering deflationary territory helped by supply side adjustments, market lending rates have continued to adjust downwards. As real returns from fixed income securities on a tax adjusted basis remains marginal, we expect a continuation of domestic fund flows towards equities and corporate credit. Equities stand to further benefit from corporates reporting stronger profitability in line with the recovery in economic activities seen over the past few quarters. Moreover, attractive valuations of Sri Lankan 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 months aided by easing interest rates, recovery in economic environment/corporate profitability, attractive valuations and the asset class remaining tax efficient. Despite the equity index inching towards the previous all-time highs set prior to the onset of the economic crisis, on an earnings adjusted basis, we see further space for upward re-rating of equity valuations. Therefore, 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.

CT CLSA EQUITY FUND
STATEMENT OF COMPREHENSIVE INCOME FOR THE
PERIOD ENDED AS 30 SEPTEMBER 2024

	Note	30.09.2024	31.03.2024
		Rs.	(Audited) Rs.
Investment Income			
Profit from investments	01	28,649,236	41,058,795
Other Income			
Net unrealized gain on financial assets - at fair value through profit or loss		(11,391,877)	37,201,424
Net unrealized gain on treasury bond - at fair value through profit or loss		2,255,300	2,269,255
Total Investment gain		19,512,659	80,529,474
Expenses			
Management fee		3,526,134	5,398,861
Trustee fee		503,543	908,263
Custodian charge		145,536	284,919
Audit fee		224,757	270,617
Audit fees over provision		-	(219,681)
Bank Charges		12,434	78,854
WHT Tax expense		21,332	68,266
Other expenses		-	17,265
		4,433,736	6,807,364
Profit before tax		15,078,923	73,722,110
Other comprehensive income		-	-
Total comprehensive income		15,078,923	73,722,110
Increase in net assets attributable to unit holders		15,078,923	73,722,110

CT CLSA EQUITY FUND
STATEMENT OF FINANCIAL POSITION
AS AT 30 SEPTEMBER 2024

	Note	30.09.24 Rs.	31.03.24 (Audited) Rs.
Assets			
Cash and cash equivalents	2	28,457,778	12,074,998
Financial assets - at amortised cost	3	20,000,000	29,107,468
Other Income	4	260,440,663	315,363,226
Other receivables	5	3,156,263	6,350,105
Total assets		312,054,704	362,895,797
Unit Holders' funds and Liabilities			
Liabilities			
Accrued expenses and other payables	6	2,285,816	4,592,355
Total liabilities		2,285,816	4,592,355
Net assets attributable to unitholders		309,768,888	358,303,442
Unit Holders' Funds			
Net assets attributable to unitholders		309,768,888	358,303,442
Total Unit Holders' Funds and Liabilities		312,054,704	362,895,797

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


 Chief Executive Officer


 Hatton National Bank
 Trustee




 Chairman


 Director

CT CLSA EQUITY FUND
STATEMENT OF CHANGES IN UNITHOLDERS' FUNDS
AS AT 30th SEPTEMBER 2024

	Unit Capital	Retained Earnings	Total Equity
Balance as at 01 April 2023	24,490,864	217,449,498	241,940,362
			-
Net increase due to creation and redemption of units	42,640,970		42,640,970
			-
Other Income	-	73,722,110	73,722,110
			-
Unit Holders' funds as at 31st March 2024	67,131,834	291,171,608	358,303,442
Unit Holders' funds as at 01 April 2024	67,131,834	291,171,608	358,303,442
Net increase due to creation and redemption of units	(63,145,070)		(63,145,070)
Increase in net assets attributable to unit holders	-	15,078,923	15,078,923
Previous Year Adjustment			(468,407)
Unit Holders' funds as at 30th September 2024	3,986,764	306,250,531	309,768,888

CT CLSA EQUITY FUND
STATEMENT OF CASH FLOWS
FOR THE PERIOD ENDED 30TH SEPTEMBER 2024

	30.09.2024	31.03.2024
	Rs.	(Audited) Rs.
Cash flows from operating activities		
Investment Income	4,428,054	11,487,757
Dividends received	8,075,834	9,980,080
Operating expenses paid	(4,433,736)	(6,282,011)
Decrease in financial investments - at fair value	61,931,334	(58,864,228)
Other Income		
Net unrealized gain on treasury bond		2,269,255
Decrease in other receivables	3,193,842	(2,263,529)
Increase in other payables	(2,774,946)	(2,911,583)
Net investments in Treasury Bills	4,062,400	46,676,668
Net investments in bank deposit placement fees		-
Net investments in repurchase agreements	5,045,068	(25,045,068)
Net Investment in Treasury Bonds		(11,147,295)
Net Cash Generated from operating activities	<u>79,527,850</u>	<u>(36,099,954)</u>
Cash flows from financing activities		
Amounts received on unit creations	12,760,348	67,151,384
Amounts paid on unit redemptions	(75,905,419)	(24,510,413)
Income distribution to unit holders		
Net cash flow used in financing activities	<u>(63,145,070)</u>	<u>42,640,971</u>
Net increase in cash and cash equivalents	16,382,780	6,541,017
Cash and cash equivalents at the beginning of the year	12,074,998	5,533,981
Cash and cash equivalents at the end of the year	<u><u>28,457,778</u></u>	<u><u>12,074,998</u></u>

CT CLSA EQUITY FUND
NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 SEPTEMBER 2024

	30.09.2024	31.03.2024 (Audited)
01 Profit From Investments		
Dividend income	8,075,834	8,030,943
Interest income on financial assets - at amortised cost	(Note - 1.1) 2,172,754	5,694,536
Net realized gain / (loss) on sale of financial assets -at fair value through profit or loss	(Note - 1.2) 18,400,648	27,333,316
	28,649,236	41,058,795
1.1. Interest income from financial assets not held at fair value through profit and loss		
Other Interest on Repurchase Agreements	772,178	918,329
Interest on Corporate Savings	336,060	1,357,427
Interest on Treasury Bills primary	122,060	3,418,780
Interest on Treasury Bonds	942,457	-
	2,172,754	5,694,536
1.2 Net realized gain/(loss) on financial assets held at fair value through profit and loss		
Proceeds on sale of equity shares	20,257,230	28,041,957
Average cost of equity shares sold	(1,951,212)	(4,016,253)
Interest income on government bonds	94,630	3,307,612
	18,400,648	27,333,316
2 Cash and cash equivalents		
Cash at bank	25,000	25,000
Corporate Savings Account	28,432,778	12,049,998
	28,457,778	12,074,998
3 Financial Assets at Amortised Cost		
Investments in T. Bills Primary	-	4,062,400
Investments in Repurchase Agreements	20,000,000	25,045,068
	20,000,000	29,107,468
4 Financial assets held at fair value through profit or loss		
Investment on treasury bonds	11,017,090	15,747,390
Investments on Equities	249,423,573	299,615,836
	260,440,663	315,363,226

	30.09.2024		31.03.2024	
Name of the Company	Number of Shares	Market Value	Number of Shares	Market Value
Access Engeneering	320,084	7,521,974	360,084	8,137,898
ACL Cables PLC	97,620	8,200,080	162,620	13,676,342
Asian Hotels And Properties Ltd	167,500	9,564,250	155,000	9,455,000
Aitken Spence Hotel Holdings Limited	217,073	13,892,672	272,084	18,011,961
BBPL Holding PLC	592,250	10,660,500	562,250	11,245,000
Cargills (Ceylon)	10,767	4,091,460	23,780	8,560,800
Distilleries Company of Sri Lanka PLC	197,066	5,379,902	239,323	6,437,789
Ceylon Glass Company PLC	272,749	7,909,721	377,749	11,143,596
Caltex Labricant Lanka PLC	4,970	610,068	72,000	7,758,000
Dialog Telecom PLC	731,216	6,800,309	651,258	7,619,719
Hayleys-Mgt Knitting Mills Limited	329,461	17,296,703	482,338	19,824,092
Hayles Limited	110,863	11,064,127	206,537	16,956,688
Haycarb Limited	79,715	6,377,200	77,215	5,906,948
Hemas Holdings	176,740	13,803,394	201,740	16,219,896
John Keels Holdings	123,368	22,113,714	116,215	22,545,710
John Keels Holdings (Rights)	11,836	191,743	-	-
Kelani Tyres Ltd	-	-	57,033	3,992,310
Nations Trust Bank Ltd	146,398	18,153,352	171,398	18,425,285
People'S Leasing	992,135	11,607,980	1,536,941	16,906,351
Pan Asia Banking Corporation Limited	323,620	7,249,088	447,500	9,531,750
Primeresidencia	468,114	4,025,780	318,114	2,672,158
Sampath Bank	230,622	17,919,329	317,122	25,369,760
Softlogic Life Insurance Ltd	67,290	3,976,839	83,486	5,518,425
Singer (Sri Lanka) Limited	-	-	223,141	3,592,570
Textured Jersey	127,724	5,172,822	107,724	4,050,422
Tokyo Cement Co.(Lanka) Plc	283,666	13,899,634	300,966	15,499,749
Commercial Bank Of Ceylon Limited	42,620	4,315,275	-	-
Windforce	482,737	9,654,740	538,654	10,557,618
Hatton National Bank Limited	38,930	7,970,918	-	-
	6,647,134	249,423,573	8,062,272	299,615,835

	30.09.2024	31.03.2024 (Audited)
5 Other receivables		
Dividend receivables	-	-
Interest Income - Corporate Savings	5,261	108,684
CDS Receivable	2,893,618	4,946,719
Treasury bonds interest receivable	227,309	440,221
Treasury bills interest receivable	(8)	854,481
Repo receivable	30,082	-
	3,156,263	6,350,105
6 Accrued Expenses And Other Payables		
Management Fee Payable	1,570,288	1,501,124
Trustee fee payables	224,187	253,934
Custodian fee payable	73,166	72,552
Audit fee payable	418,167	70,449
Trade creditors equity	9	2,689,700
Unit redemption payable	-	4,596
	2,285,816	4,592,355
7 Net Asset Value		
	As at 30.09.2024	As at 31.03.2024
Net Asset Value as per the financial statement	309,768,888	357,835,035
Adjustment (if any)	468,407	889,296
Published NAV	309,300,481	356,945,739
Number of unit outstanding	8,725,318	10,409,980
Published NAV /Unit	35.50	34.37

8 Related Party Disclosure

a) Responsible entity

The responsible entity of CT CLSA Equity Fund is CT CLSA Asset Management (Private) Limited

b) Key management personnel

Directors

- Mrs. Cecilia Muttukumaru
- Mr. Zakir Mohamedally
- Mr. Joseph Page
- Ms. Bimane Meepagala
- Ms. Coralie Pietersz

Other key management personnel

- Mr. Kuhan vinayagasundaram - Chief Investment Officer
- Ms. Hansini Aravinda - Senior Financial Analyst

c) Key Management Personnel unitholdings

Unitholder	No of Units Held		Fair Value of Investment (Rs)	Interest Held %	Dividend Paid / Payable (Rs)
	30-Sep-24	31-Mar-24			
Nil	Nil	Nil	Nil	Nil	Nil

d) Key management personnel compensation

Key management personnel are paid by C T C L S A Asset Management (Private) Limited. Payments made from the Fund to C T C L S A Asset Management (Private) Limited do not include any amounts directly attributable to the compensation of key management personnel.

e) Other transactions within the Fund

Apart from those details disclosed in this note, no key management personnel have entered into a material contract with the Fund during the financial year and there were no material contracts involving key management personnel's interest existing at six month end.

d) Related Party Unitholding

The Management Company and other related parties have not invested in the CT CLSA Equity Fund.

Cargills Ceylon PLC	4,091,460.00	1.32%
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e) Transactions with and amounts due to related parties

The fees were charged by the management company and trustee for services provided during the half year and the balances outstanding from such dues as at half year end are as disclosed below:

	Charge for the period		Balance outstanding	
	2024	2023	30.09.2024	30.09.2023
Management fees	3,526,134	2,427,505	1,570,288	1,395,484
Trustee fees	503,543	407,474	224,187	234,242
Custodian fee	145,536	141,387	73,166	71,107