

# Annual Report

Senfin Dynamic Income Fund

FY 2023

**Trustee and Custodian**  
HNB Bank PLC

**Fund Manager**  
Senfin Asset Management (Pvt) Ltd



## **Senfin Dynamic Income Fund**

is Licensed and Regulated by the Securities & Exchange  
Commission of Sri Lanka



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# Profile of the fund management company

## The Company

Senfin Asset Management (Pvt) Ltd (SFAM) was incorporated in 2010 and licensed by the Securities & Exchange Commission of Sri Lanka (SEC) to manage unit trust funds and third-party portfolios/private portfolios for institutional clients, private provident funds, insurance funds, and high net worth individuals.

SFAM (formally Candor Asset Management (Pvt) Ltd) is a wholly owned subsidiary of Senkadagala Finance PLC, a finance company licensed by the Central Bank of Sri Lanka. Senkadagala Finance PLC commenced operations in the city of Kandy in 1968 and since then has steadily gained momentum, leveraging on the varied partnerships it nurtured throughout the years.



## Board of Directors

### Dr. Prathap Ramanujam – Chairman

Dr. Prathap Ramanujam, was previously Chairman of Panasian Power PLC and has extensive experience in the public sector. During the last 14 years in the Public Sector, he was the Permanent Secretary to several Ministries and was responsible for the establishment of the Secretariat for Infrastructure Development & Investments (SIDI), which was instrumental in initiating the first mini hydro project as a Public Private sector project as far back as 1993.

Dr. Ramanujam has previously served on the Boards of several financial services institutions including the National Savings Bank, the State Mortgage and Investment Bank and Senkadagala Finance PLC., during his career. He also served as a Director in Panasian Power PLC, Manelwela Hydro Power Pvt. Ltd, Panasian Investment Pvt. Ltd, Paddiyapallela Hydropower Pvt. Ltd, and associated companies.

Dr. Ramanujam currently serves as director of Ceylon Grain Elevators PLC, Three Acre Farm PLC and Iconic Development Pvt. Ltd.

Dr. Ramanujam has a First Class B.Sc. (Hons.) degree from the University of Peradeniya Sri Lanka, a M.Sc. degree in Economics from the University of Bristol, U.K and a Ph.D. in Economics from the Australian National University, Canberra, Australia. He worked as a Post-Doctoral Fellow at the Faculty of Economics at the University of Glasgow U.K.

### Mr. Sanath Divale Bandaranayake | Director

Mr. Bandaranayake served at Commercial Bank of Ceylon PLC, the largest and the most awarded bank in Sri Lanka, for 36 years. He has served Commercial Bank in various capacities such as Branch Manager (Kandy, City Office), Chief Manager, Assistant General Manager and Deputy General Manager (Operations) and was a core member of the Management teams which led the Bank to important milestones such as introducing Banking Software to improve the bank's operations (which is very successfully used even today), Holiday Banking and Supermarket Banking. During his career at the Commercial Bank, he was appointed as Director at LankaClear and also served as Director of Commex Sri Lanka S R L (subsidiary of Commercial Bank based in Italy) and ONEzero Company Ltd., (subsidiary of Commercial Bank engaged in the business of Information Technology).

Mr. Bandaranayake currently serves as an Executive Director / Additional CEO of Senkadagala Finance PLC. Mr. Bandaranayake is also a director of Senfin Securities Ltd, Senkadagala Insurance Brokers (Pvt) Ltd, Sobhadanavi (Pvt) Ltd & Lakdhanavi (Pvt) Ltd

Mr. Bandaranayake holds a Bachelor's Degree in Physical Sciences from the University of Sri Lanka, Vidyodaya Campus.



### **Mr. Sonal Balasuriya -Director**

Mr. Sonal Balasuriya has gained 3 years of work experience in both the United Kingdom and Sri Lanka before starting his own practice Sonal Balasuriya Architects in 2016. He is the principal architect at Sonal Balasuriya Architects and Design Studio.

Mr. Sonal Balasuriya holds a First-Class B.Sc. (Hons) degree from the University of Westminster and a Distinction in MA. Architecture from the Bartlett School of Architecture, University College London. He is also a SLIA qualified Chartered Architect.

### **Mr. Sahishnu Keshav Balasuriya | Director**

Mr. Keshav Balasuriya has been instrumental in initiating and acquiring Candor Asset Management (Pvt) Ltd from Eagle Proprietary Investment Limited in 2020. Mr. Keshav Balasuriya serves as a member of the Investment Committee of Senfin Asset Management (Pvt) Ltd.

Mr. Keshav Balasuriya is an Investment/Portfolio Manager at E.W. Balasuriya & Co (Pvt) Ltd., covering Listed Equities, Fixed Income and Real Estate asset classes since 2013. Mr. Keshav Balasuriya is a Treasury Analyst at Senkadagala Finance PLC, since 2016 covering funding and proprietary investments of Senkadagala Finance PLC which has been operating over 50 years.

Mr. Keshav Balasuriya holds an MSc (Hons) degree in Computer Science from the University of Bristol and a Master of Finance (MFin) from the University of Cambridge

### **Mr. Don Tilak Padmanabha Collure | Director**

Mr. Tilak Collure is a former Sri Lanka Administrative Service Special Grade officer who has held senior positions during 35 years in Government service mainly in the areas of trade, commerce, and logistics. Mr. Tilak Collure has served as the Secretary to the following Cabinet level Ministries: Ministry of Industry and Commerce, Ministry of Transport, Ministry of Shipping, Ports and Aviation. During his career, Mr. Collure has also headed several major public sector corporate institutions as their CEO/ Chairman. Mr. Tilak Collure served as a Member of the independent National Police Commission from 2015 to 2020. Mr. Tilak Collure has functioned as an Independent Non-Executive Director of Senkadagala Finance PLC, prior to the present appointment.

Mr. Collure holds a BSc in Natural Sciences (University of Sri Lanka, Colombo) and a Master's in Public Administration (Postgraduate Institute of Management/University of Sri Jayewardenepura).

## Key Personnel

### Mr. Jeevan Sukumaran – Chief Executive Officer

Mr. Sukumaran has in total, experience of over 15 years in Sri Lankan Capital Markets, covering Unit Trusts, Portfolio Management, Equity Analysis and Research, Corporate Finance and Financial Advisory with over 10 years of experience in the Unit Trust Industry. Prior to joining SFAM, Mr. Sukumaran was the General Manager/Head of Operations at CT CLSA Asset Management (Pvt) Ltd (CAM), during which time he also acted as the fund manager for all of CAM's Fixed Income Funds. Mr. Sukumaran is also experienced in Corporate Finance and Investment Banking, having worked at CT CLSA Capital, an Investment Bank.

Mr. Sukumaran is an Associate Member (ACMA) of the Chartered Institute of Management Accountants (CIMA-UK) and a Chartered Global Management Accountant (CGMA). Mr. Sukumaran is also an Associate Member (ACIM) of the Chartered Institute of Marketing (CIM) holding a Professional Diploma in Marketing.

### Mr. Murugiah Rajendran – Head of Compliance

Mr. Murugiah Rajendran has in total over 41 years of experience in banking. Mr. Murugiah Rajendran has acquired a skill sets in Risk Management (including Credit Approval, Credit Monitoring, Remedial Management etc.), Client Coverage, Operational Risk Management, Business Compliance Management and Internal Audit. Mr. Rajendran started banking career with Commercial Bank of Ceylon Ltd, the largest and most awarded bank in SL and served the bank for 16 years mainly in Corporate Banking. He then moved to overseas and worked as Marketing Manager, National Bank of Oman, Abu Dhabi (for 2 years), Director, Standard Chartered Bank, Dubai (12 years) and Vice President, Mashreq bank plc, Dubai (11 years).

Mr. Rajendran has completed 'The Credit Skills Component' of the Standard Chartered Bank Credit Programme conducted by the external agency and designated a 'Credit Professional'. Mr. Rajendran is an Associate Member of the Chartered Institute of Management Accountants – UK (ACMA), Chartered Global Management Accountant (CGMA) and an Associate Member in the Institute of Bankers, Sri Lanka (AIB).

### Mr. Surath Perera – Chief Investment Officer

Mr. Surath Perera is a Senior Fund Manager who has been in the unit trust industry for over twelve (12) years, of which, eight (8) years have been as a Fund Manager. Mr. Surath Perera joined Senfin in January 2021 and was previously employed at CT CLSA Asset Management (Pvt) Ltd. (CAM), a pioneer asset management company during which time he managed the Comtrust Equity Fund, the flagship fund and one of the first mutual funds launched in Sri Lanka. In addition to managing equity mutual funds, he is also experienced in managing high net worth client portfolios and fixed income portfolios etc.

Mr. Surath Perera has a Second-Class Upper Bachelor of Business Administration (Hons) degree specializing in Accounting from the University of Colombo, Sri Lanka. Mr. Surath Perera is an Associate Member (ACMA) of the Chartered Institute of Management Accountants (CIMA-UK) and Chartered Global Management Accountant (CGMA). Mr. Surath Perera also has Dip.M (CIM) from the Chartered Institute of Marketing (CIM-UK) and has completed Level 1 of the Chartered Financial Analyst (CFA) Program.



## Rajitha Kapil Rathwatta Elapata – Senior Fund Manager

Mr. Rajitha is recruited by Senfin Asset Management Private Ltd in November 2023 as a Senior Fund Manager and to deal with the Company's Collective Investment Schemes (Unit Trusts).

Mr. Rajitha brings over nine years of working experience as an analyst and fund manager. His previous working experience included Working on investment strategy, asset allocations policies and specific individual investment for all funds managed by Namal (for both Mutual and Private Portfolios), Generating key investment recommendations, Fund reporting, Origination, structuring, pricing and negotiation with investee companies, brokers, intermediaries and investment banks for debt, equity etc., Continuous monitoring of investments, the Capital & Money Market and their performance, market values & intrinsic values, Conduct macro-economic and political analysis, Performing industry and company specific analysis, Liaising with the regulators, the trustees, and the custodians to facilitate proper adherence of fund management activities, discussing with clients and trustees to understand their requirements, In-house research, Financial modelling, Portfolio management, Tracking liquidity position, Analysing return on portfolios, Product development and Worked as banking assistant – dealing with corporate and personal customers

Mr. Rajitha's previous employments include As a Fund Manager - Namal Asset Management, Analyst - Ceybank Asset Management Ltd, Senior Executive - Product Development & Operations at Entrust Wealth Management Ltd, Senior Executive Dealing & Front Office Sales - Entrust Securities Plc, Investment Analyst - Capital Trust Securities (Pvt) Ltd, Banking Assistant - HSBC, and Assistant Manager (Sports Dept) - as part time in University of Greenwich, UK.

Mr. Rajitha's academic and professional educational qualifications are Bachelor of Arts - Business with Economics at University Greenwich and presently attending the second semester for Master's (MFE) at the University of Colombo.

## Mr. Nilanka Gamaethige - Head of Client Services & Marketing

Mr. Nilanka Gamaethige has over fifteen years of experience in both international banks and a local bank. While working at both HSBC and Standard Chartered Bank he covered aspects mainly such as Portfolio Management, Proposition Management, PFS Lending, Brand Marketing, Operations, recoveries, branch management, strategic planning. While at Standard Chartered Bank he also worked as a Teller Service Manager and thereafter as the acting Branch Manager at the Negombo branch and a Relationship Manager at the Lipton Circle Branch, Colombo.

In 2016, Mr. Nilanka Gamaethige moved to DFCC Bank PLC and worked for 5 plus years at retail banking handling the affluent client segment. Mr. Nilanka Gamaethige was assigned the task of setting up and operating the Negombo Premier center and acquiring affluent clients, which he successfully achieved within a short period of time. Mr. Nilanka Gamaethige also well contributed to the growth of SME and Corporate sector of the Negombo branch.

Mr. Nilanka Gamaethige got the opportunity to complete a SME Workshop at JNIBF Hyderabad India.



## Investment Committee

SFAM's investment philosophy is based on fundamental research, long-term focus and strong price discipline. The principle of intelligent investing, through quality decisions based on thorough research and knowledge means that the investment approach is simple and based on understanding fundamentals. SFAM also utilizes the expertise of the investment committee to make industry and entity investment decisions. The Investment Committee consists of experts in the field of asset management and includes the following external members:

### Mr. Alastair Corera, CFA

Mr. Alastair Corera is an Executive Director of Orion Fund Management (Pvt) Ltd., a position he has held since 2006. Previously, he was at Fitch Ratings Lanka Ltd. where he headed the Financial Institutions team and was its Country Head from 2004 to 2006. Prior to that he was General Manager at Forbes ABN AMRO Securities (Pvt) Ltd.

Mr. Corera is a Chartered Financial Analyst, USA and a Fellow of the Chartered Institute of Management Accountants, UK. He is the Chairman/Independent Non-Executive Director at Citizens Development Business Finance PLC and an Independent Non-Executive Director in Citizens Development Business Finance PLC

### Mr. Mahendra Jayasekera

Mr. Mahendra Jayasekera is a Director of Lanka Walltiles PLC, Lanka Tiles PLC, Swisstek (Ceylon) PLC, Lanka Ceramic PLC and Swisstek Aluminium Limited. He is also a Director of Uni Dil Packaging Limited and Uni Dil Packaging Solutions Limited.

Mr. Jayasekera holds a BSc Special (Hons) degree in Business Administration from the University of Sri Jayawardenapura and is a Fellow of the Institute of Chartered Accountants of Sri Lanka.

### Mr. Keshav Balasuriya

*see profile above*

## Risk Management Committee

1. Mr. Sanath Divale Bandaranayake – Chairman of the Risk Management Committee
2. Mr. Sahishnu Keshav Balasuriya
3. Mr. Jeevan Sukumaran
4. Mr. Murugiah Rajendran

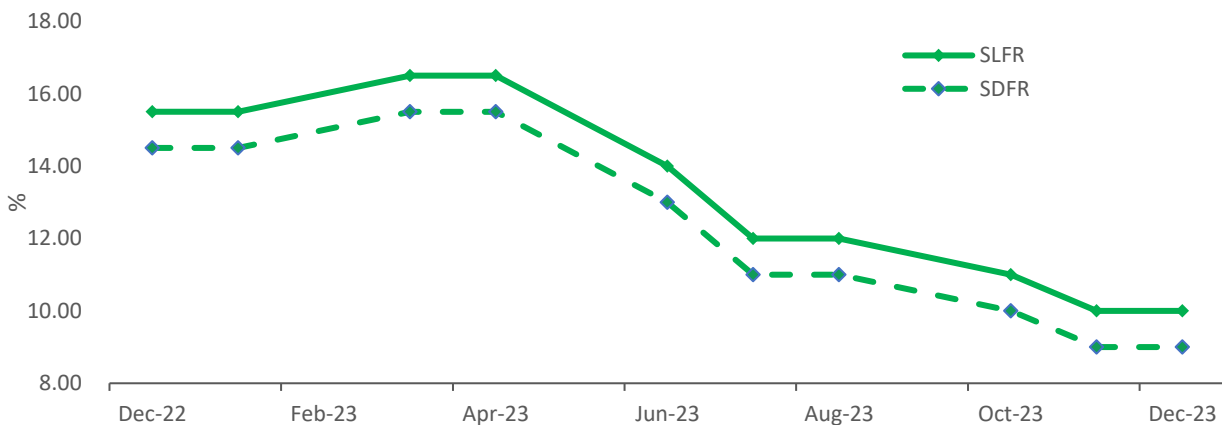
# FUND MANAGER'S REPORT

Dear Investor,

We are pleased to present the Annual Report of the Senfin Dynamic Income Fund for the year ending 31<sup>st</sup> December 2023 (FY2023).

During FY 2023, Sri Lanka saw their economic position improve from the crisis faced during 2022 with the economy rebounding for the first time following the economic crisis with Real GDP Growth for 4Q2023 closing at 4.5% compared to a contraction of 12.4% in 4Q2022. Growth was driven by expansion in activities in all three major economic sectors with highest growth being recorded in the industry sector. Growth was supported by easing interest rates after elevated inflation levels were brought under control. However, the Real GDP Growth for the full year 2023 recorded -2.3% vs -7.3% seen in crisis hit 2022. The Central Bank of Sri Lanka commenced the reversal of its sharp monetary tightening in 2022 which helped bring inflation under control. Accordingly, policy rates were cut by a cumulative 650 bps from June 2023 onwards. The Standing Deposit Facility Rate (SDFR) stood at 9.0% as at 31 Dec 2023 compared to 14.5% as at 31 Dec 2022 and the Standing Lending Facility Rate (SLFR) stood at 10.0% compared to 15.5% as at 31 Dec 2022. Similarly, the Statutory Reserve Ratio was also cut down to 2.0% during 2H2023 compared to 4.0% maintained up to July 2023

## Movement in Policy Rates

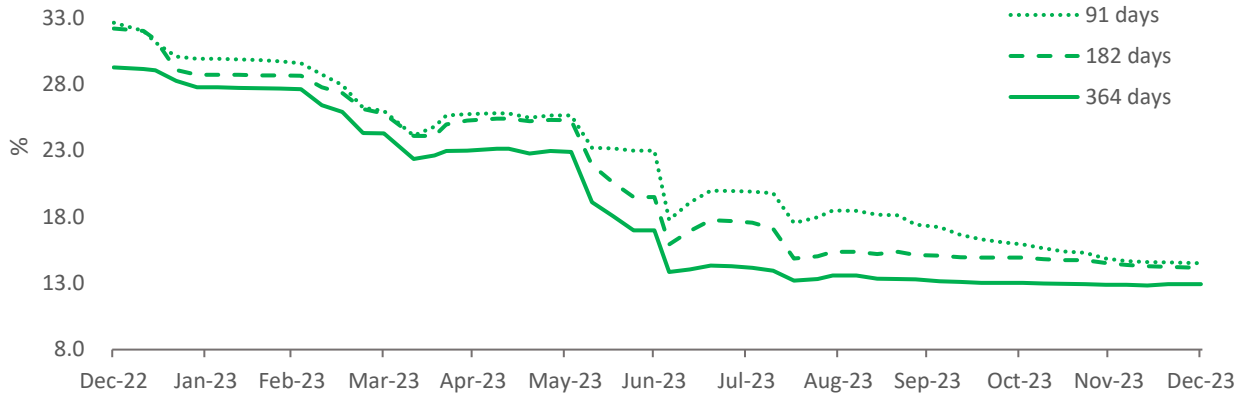


Source: Central Bank of Sri Lanka

In line with the aforesaid changes to the Monetary Policy, Government Security yields as well as market interest rates on debentures, deposits offered by commercial banks and other non-banking financial institutions too followed a similar trajectory, especially subsequent to the Domestic Debt Optimization (DDO) announcement which was lenient than the market expectation. The benchmark 03, 06 and 12-month yields decreased from 32.64%, 32.20% and 29.27% respectively as at the end of December 2022 to 14.51%, 14.16% and 12.93% respectively as at the end of December 2023. Similarly yields on long term government bonds too decreased as rates fell below the 15.00% mark across multiple maturities.

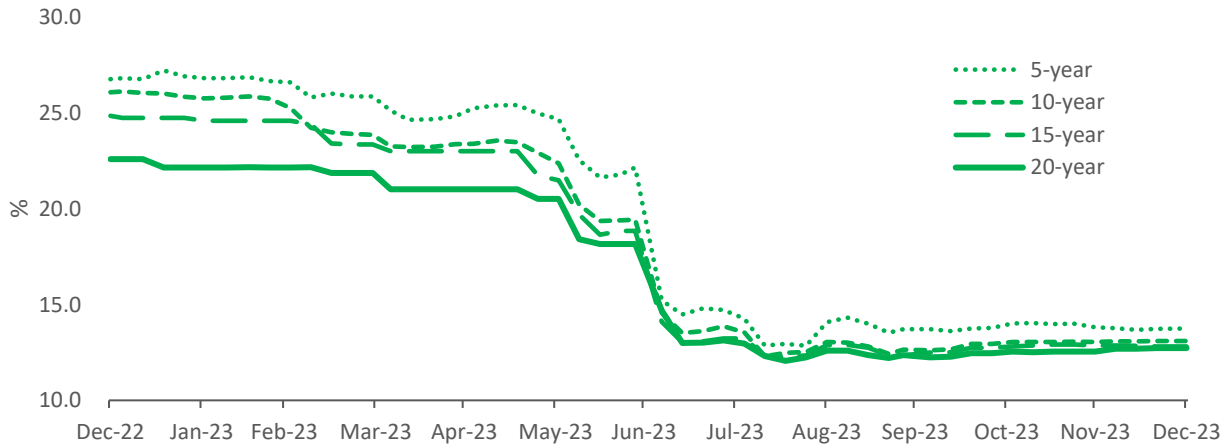


**Treasury Bill Rate Movement**



Source: Central Bank of Sri Lanka

**Treasury Bond Rate Movement**

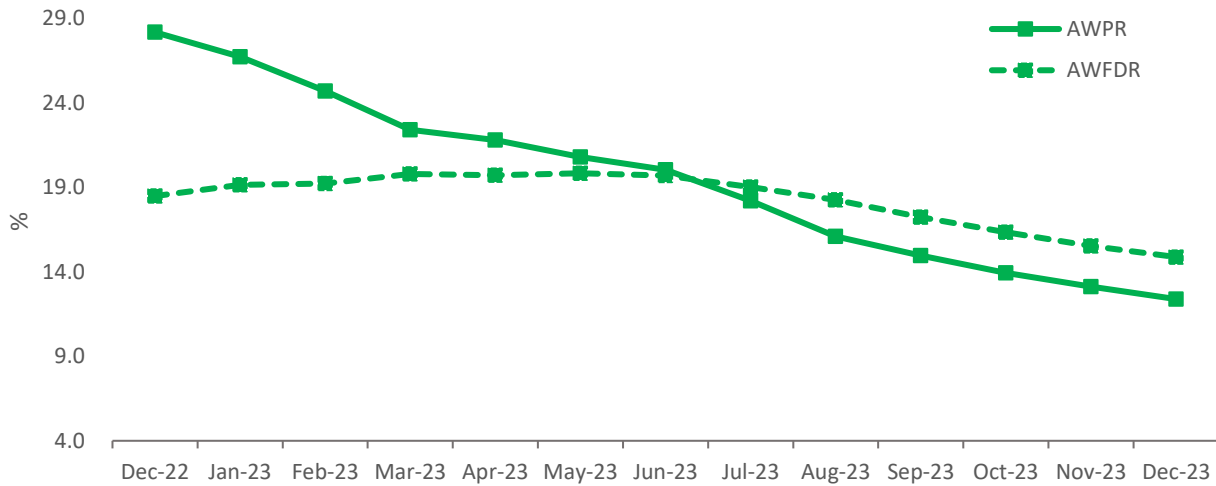


Source: Central Bank of Sri Lanka

Following the rate deduction by CBSL, all deposit and lending rates showed a decreasing trend, with Average Weighted Prime Lending Rate (AWPR) decreased to 12.39% and Average Fixed Deposit Rate (AWFDR) decreased to 14.88% by the end of December 2023 vs. 28.19% and 18.49% respectively by the end of December 2022.



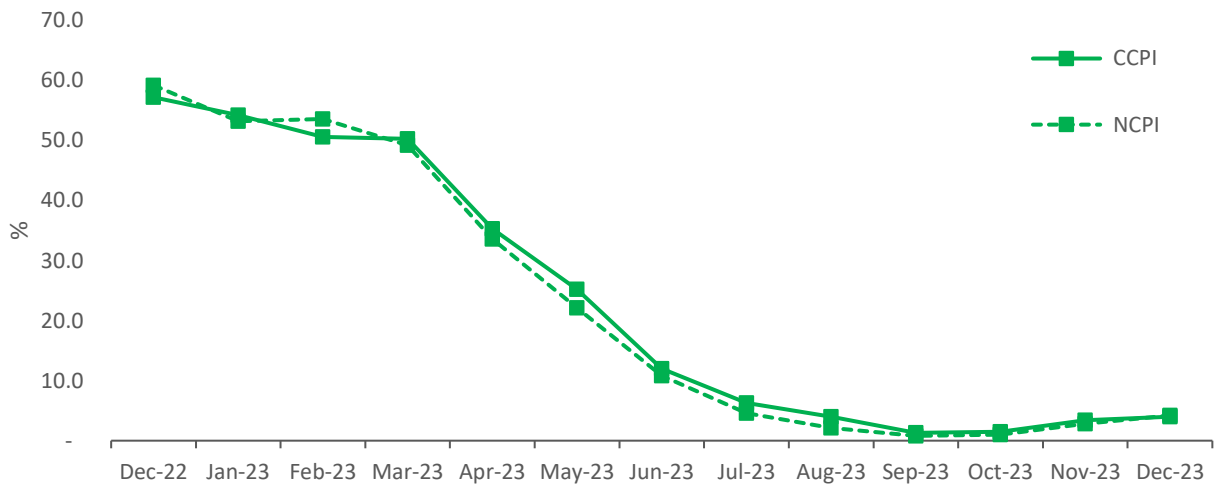
**Movement of AWFDR and AWPR of Commercial Banks (% p.a.) at month-end**



Source: Central Bank of Sri Lanka

From as high as 57.2% recorded Inflation (measured by the year-on-year change in the Colombo Consumer Price Index - CCPI) in December 2022, policy makers were successful enough to bring the inflation down to 4.0% in December 2023. Single digit inflation numbers started to report from July 2023. Further, Inflation measured by Year-on-Year change in the National Consumer Price Index (NCPI) decreased to 4.2% in December 2023 from 59.2% in December 2022.

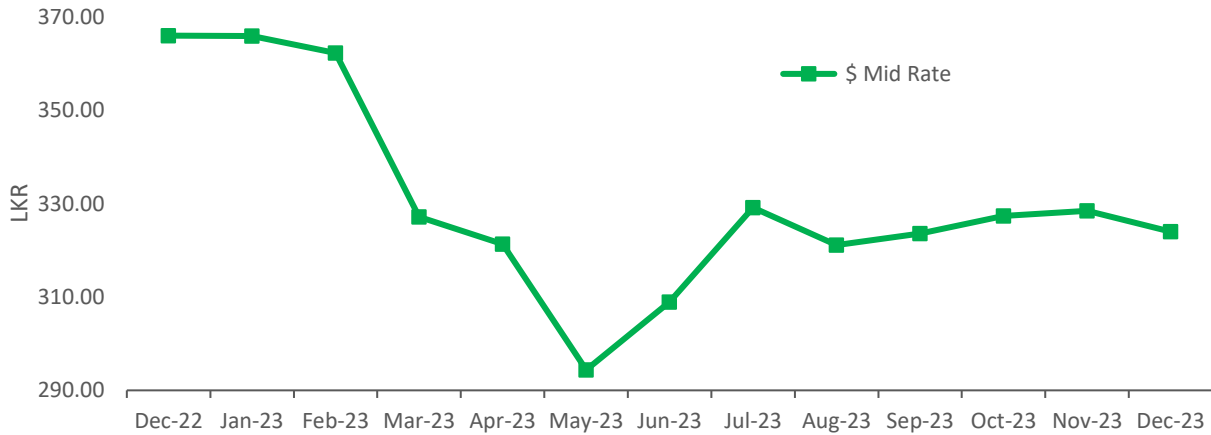
**Movement in the CCPI and NCPI**



Source: Department of Census & Statistics

## Movement in the USD/LKR Rate

On the back of IMF Extended Fund Facility, other foreign inflows, improved worker remittances and improved tourism earnings, the Gross Official Reserves witnessed a notable increase. As a result of those factors, LKR appreciated 11.5% against USD during FY2023.



Source: Central Bank of Sri Lanka

## Fund Performance

### Fund Performance as at 31<sup>st</sup> Dec 2023

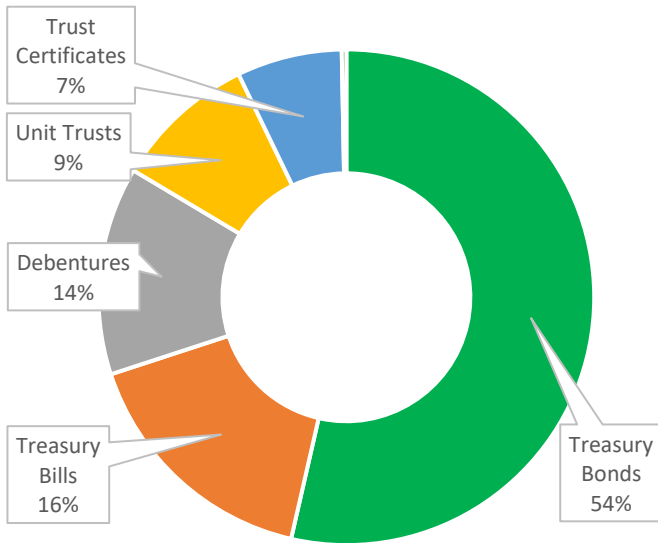
Period	Since Inception (10 Feb 2021)	1-year Performance	3-months Performance	1-month Performance
Non-Annualized Fund Return (NAV to NAV)	67.82%	48.36%	4.63%	1.75%
Non-Annualized Benchmark Return (NDBIB-CRISIL 5 Year T-Bond Index)	27.50%	74.66%	3.96%	2.51%

Source: Senfin Asset Management (Pvt) Ltd

Note:

1. All returns are non-annualized.
2. Performance data is net of management fees and taxes.

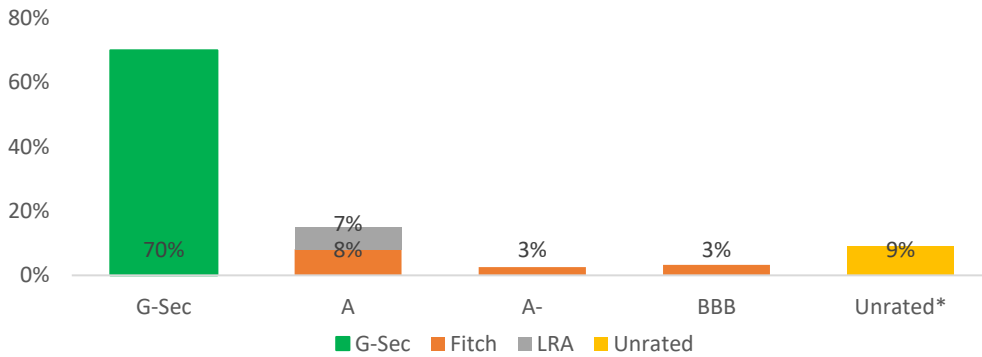
**Asset Allocation as a percentage of Net Asset Value as at 31<sup>st</sup> Dec 2023**



Source: Senfin Asset Management (Pvt) Ltd

During the course of FY 2023, the fund had approximately 70% exposure to government securities, mainly treasury bills and treasury bonds in a bid to enhance overall fund returns as well as the asset quality of the fund.

**Credit Profile of Fund as at 31<sup>st</sup> Dec 2023**

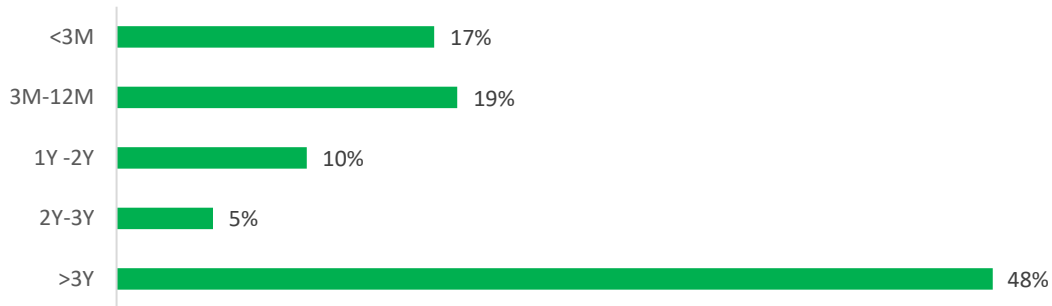


Source: Senfin Asset Management (Pvt) Ltd

\* Instrument rating of A assigned by ICRA Lanka at the time of investment, but the rating agency has ceased operations in Nov 2022.



### Maturity Profile of the Fund as at 31<sup>st</sup> Dec 2023



Source: Senfin Asset Management (Pvt) Ltd

With the assistance of correct policies in place, we witness a sound recovery in key macro-economic variables such as single digit inflation, LKR appreciation against the dollar, remarkable improvement in tourism arrivals, increasing remittances, improved official reserves, positive GDP growth etc.

It is expected that there's further room for market interest rates to decline in the short run. However, in the second half of 2024, there could be some upward pressure on market interest rates. The Policy Rates are projected to align with the statement of the CBSL and maintained at current levels in the short run. However, it is anticipated that a monetary policy easing could take place in the event of a change in the direction of market interest rates.

Given the current macroeconomic and interest rate conditions, our commitment is to maximize returns for the fund by investing in high-quality asset classes based on their respective risk profiles in long term and money market fixed income securities.

### Investment Team





Kreston MNS & Co  
Chartered Accountants  
Level 1 & 2, Advantage Building  
74A, Dharmapala Mawatha  
Colombo 07

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+ 94 (0) 11 2301396-7  
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Email: audit@kreston.lk  
Web: www.kreston.lk

## INDEPENDENT AUDITOR'S REPORT

### TO THE UNIT HOLDERS OF SENFIN DYNAMIC INCOME FUND

#### Report on the Audit of the Financial Statements

#### Opinion

We have audited the Financial Statements of **SENFIN DYNAMIC INCOME FUND** (the Fund) which comprise the Statement of Financial Position as at 31st December 2023, and the Statement of Comprehensive Income, Statement of Movement in unit holders Fund and Statement of Cash Flows for the year then ended, and notes to the Financial Statements, including a summary of significant accounting policies exhibited on pages 3 to 24.

In our opinion, the accompanying Financial Statements give a true and fair view of the financial position of the Fund as at 31st December 2023, and of its financial performance and its cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

#### Basis for Opinion

We conducted our audit in accordance with Sri Lanka Auditing Standards (SLAuSs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Fund in accordance with the ethical requirements of the Code of Ethics issued by Chartered Accountants of Sri Lanka that are relevant to our audit of the Financial Statements and we have fulfilled our other ethical responsibilities in accordance with the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation of Financial Statements that give a true and fair view in accordance with Sri Lanka Accounting Standards and for such internal control as management determines is necessary to enable the preparation of Financial Statements that are free from material misstatement, whether due to fraud or error.

In preparing the Financial Statements, management is responsible for assessing the Fund's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Fund or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Fund's financial reporting process.



#### Member of Kreston Global UK

Correspondent firm within Grant Thornton International Ltd. (Grant Thornton International)  
Grant Thornton International and the member and correspondent firms are not a worldwide partnership.

#### Partners

S Rajanathan FCA, FCMA (UK) | N K Atukorala FCA, ACMA | Ms. H D S C A Tillekeratne FCA, ACMA | K I Skandadasan B.Sc. (Madras), FCA, ACMA | R L R Balasingham FCA, ACMA | N K G V Bandara B.Sc.(Acc) Sp, FCA, ACMA | Ms.S. Sawumiya BBA (Acc) Sp. ACA | P. Dharshan ACA | M.F.M. Mujahid BBA (Col), MBA (PIM-SJP), ACA, CISA

#### Branches

Anuradhapura, Badulla, Batticaloa, Hatton, Jaffna, Kandy, Negombo, Nuwara Eliya, Trincomalee



### Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the Financial Statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Sri Lanka Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these Financial Statements.

As part of an Audit in accordance with Sri Lanka Auditing Standards, we exercise professional judgment and maintain professional skepticism throughout the Audit. We also:

- Identify and assess the risks of material misstatement of the Financial Statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Fund's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the Financial Statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Fund to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the Financial Statements, including the disclosures, and whether the Financial Statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

### Report on Other Legal and Regulatory Requirements

The Financial Statements are prepared and presented in accordance with and comply with the requirements of the Unit Trust Deed and Collective Investment Scheme Code of 2022 set by Securities and Exchange Commission of Sri Lanka.

Kreston MNS & Co  
**CHARTERED ACCOUNTANTS**  
**COLOMBO**  
**26<sup>TH</sup> MARCH 2024**  
 ST/bn  
 ST-Senfin Dynamic Income Fund(2023)-C8



## SENFIN DYNAMIC INCOME FUND

## STATEMENT OF FINANCIAL POSITION AS AT

		31.12.2023 Rs.	31.12.2022 Rs.
<b>ASSETS</b>	<b>Note</b>		
Cash & Cash Equivalents	4	6,070,596	26,555,059
Financial Assets			
- Fair Value through Profit or Loss	5	1,436,725,163	658,127,883
- Debt Instruments at Amortized Cost	6	106,287,749	116,484,295
<b>TOTAL ASSETS</b>		<u>1,549,083,508</u>	<u>801,167,237</u>
<b>UNIT HOLDERS' FUNDS &amp; LIABILITIES</b>			
<b>LIABILITIES</b>			
Accrued & Other Payables	7	1,442,174	775,581
<b>Total Liabilities (Excluding net assets attributable to Unit Holders)</b>		<u>1,442,174</u>	<u>775,581</u>
<b>UNIT HOLDERS FUNDS</b>			
Net Assets Attributable to Unit holders		<u>1,547,641,334</u>	<u>800,391,656</u>
		<u>1,549,083,508</u>	<u>801,167,237</u>

The Accounting Policies and the Notes on Pages 7 to 24 form an integral part of these Financial Statements.

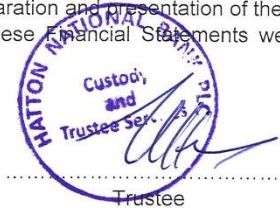
The Fund Management Company and the Trustee are responsible for the preparation and presentation of these financial statements in accordance with Sri Lanka Accounting Standards. These Financial Statements were approved by the Management Company, and adopted by the Trustee.



Director  
Management Company



Director  
Management Company



Trustee

26<sup>th</sup> March 2024.



## SENFIN DYNAMIC INCOME FUND

## STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED		31.12.2023 Rs.	31.12.2022 Rs.
	<b>Note</b>		
<b>Investment Income</b>			
Interest Income	8	221,148,040	122,153,437
Realised Loss on Sale of Government Securities	8.1	(1,846,214)	-
Realised Gain on Sale of Unit Trust	8.2	1,093,311	-
Unrealised (Loss) / Gain on financial assets held at fair value through profit or loss	9	228,722,512	(76,678,281)
<b>Total Investment Income</b>		<u>449,117,649</u>	<u>45,475,156</u>
<b>Less : Expenses</b>			
Management Fees		5,685,469	3,216,399
Trustee Fees		2,021,275	1,086,705
Custody Fees		283,076	268,416
Audit Fees		132,143	141,533
- Over Provision prior year		-	(8,401)
WHT expense		1,842,262	-
Professional Fee		84,187	73,487
Other Expenses		78,073	23,266
		<u>10,126,485</u>	<u>4,801,405</u>
<b>Net Profit before Tax</b>	10	438,991,164	40,673,751
Less : Income Tax Expense	11	-	-
<b>Net Profit after Tax for the year</b>		<u>438,991,164</u>	<u>40,673,751</u>
Other Comprehensive Income		-	-
<b>Total Comprehensive Income for the year</b>		<u>438,991,164</u>	<u>40,673,751</u>
<b>Increase in Net Assets Attributable to Unit Holders</b>		<u>438,991,164</u>	<u>40,673,751</u>

The Accounting Policies and the Notes on Pages 7 to 24 form an integral part of these Financial Statements.





## SENFIN DYNAMIC INCOME FUND

## STATEMENT OF MOVEMENT IN UNITHOLDERS' FUNDS

FOR THE YEAR ENDED	31.12.2023 Rs.	31.12.2022 Rs.
<b>Unit Holders Funds at the beginning of the year</b>	800,391,656	274,998,846
Received on Creation of Units	401,252,304	507,131,001
Paid on Redemption of Units	(92,993,790)	(22,411,942)
Increase / (Decrease) in net assets attributable to Unit Holders during the year / period	438,991,164	40,673,751
Net Increase / (Decrease) due to Unitholders' Transactions	1,547,641,334	800,391,656
Income Distribution for the year	-	-
<b>Unit Holders Funds as at 31st December</b>	<b>1,547,641,334</b>	<b>800,391,656</b>

The Accounting Policies and the Notes on Pages 7 to 24 form an integral part of these Financial Statements.





## SENFIN DYNAMIC INCOME FUND

## STATEMENT OF CASH FLOW

## FOR THE YEAR ENDED

		31.12.2023 Rs.	31.12.2022 Rs.
	Note		
<b>Cash Flow from Operating Activities</b>			
Interest Received		208,192,711	64,610,143
Unidentified Deposits		186,301	-
Realised Loss on Sale of Government Securities		(1,846,214)	-
Realised Gain on Sale of Unit Trust		1,093,311	-
Net investment from /(in) Treasury Securities		(232,151,857)	(586,168,433)
Net investment from /(in) Fixed Deposits		75,000,000	(6,395,147)
Net investment from /(in) Commercial Papers		-	58,523,562
Net investment from /(in) Trust Certificates		(85,000,000)	15,000,000
Net investment from /(in) Quoted Debentures		(59,020,000)	-
Net investment from /(in) Un Quoted Debentures		(100,000,000)	-
Net investment from /(in) Unit Trust		(142,693,297)	-
Net investment from /(in) Repurchase Agreements		15,300,000	-
Operating expenses paid		(7,803,931)	(4,391,054)
<b>Net Cash Generated from / (used in) Operating Activities</b>		<b>(328,742,976)</b>	<b>(458,820,929)</b>
<b>Cash Flows from Financing Activities</b>			
Cash received on Creation of Units		401,252,304	507,131,001
Cash paid on redemption of units		(92,993,790)	(22,411,942)
<b>Net Cash Generated from Financing Activities</b>		<b>308,258,514</b>	<b>484,719,059</b>
<b>Net Increase / (Decrease) in Cash &amp; Cash Equivalents</b>		<b>(20,484,463)</b>	<b>25,898,130</b>
<b>Cash and Cash Equivalents at the beginning of the year</b>		<b>26,555,059</b>	<b>656,929</b>
<b>Cash and Cash Equivalents at the end of the year</b>	4	<b>6,070,596</b>	<b>26,555,059</b>
<b>Analysis of Cash and Cash Equivalents at the end of the year</b>		<b>6,070,596</b>	<b>26,555,059</b>

The Accounting Policies and the Notes on Pages 7 to 24 form an integral part of these Financial Statements.





## SENFIN DYNAMIC INCOME FUND

### NOTES TO THE FINANCIAL STATEMENTS

#### NOTE 1 - CORPORATE INFORMATION

##### NOTE 1.1 - GENERAL INFORMATION

SENFIN DYNAMIC INCOME FUND is an open ended unit trust fund approved by the Securities and Exchange Commission of Sri Lanka. The Fund was launched on 11<sup>th</sup> February 2021.

The Fund is managed by Senfin Asset Management (Pvt) Ltd, which is incorporated and domiciled in Sri Lanka. The registered office of the Management Company is located at No.267, Galle Road, Colombo 03. The Trustee of the fund is Hatton National Bank PLC from 22.12.2020 having its registered office at No 479, T.B. Jayah Mawatha, Colombo 10.

The investment objective of the Fund is to maximize returns through an active management of a portfolio of long term and money market fixed income securities.

##### NOTE 1.2 - DATE OF AUTHORIZATION FOR ISSUE

The financial statements of the fund for the year ended 31<sup>st</sup> December 2023 were authorized for issue by the fund management company and the trustee on 26<sup>th</sup> March 2024.

#### NOTE 2 - GENERAL INFORMATION AND STATEMENT OF COMPLIANCE WITH SRI LANKA ACCOUNTING STANDARD

The Financial Statements of the Fund for the year ended 31<sup>st</sup> December 2023 have been prepared in accordance with the Sri Lanka Accounting Standards (LKAS & SLFRS) issued by the Institute of Chartered Accountants of Sri Lanka and the requirement of the Trust deed and Collective Investment Scheme Code of 2022 set by the Securities and Exchange Commission of Sri Lanka. They are presented in Sri Lankan Rupees (Rs), which is also the functional currency of the Fund.

#### NOTE 3 - SUMMARY OF ACCOUNTING POLICIES

##### NOTE 3.1 - OVERALL CONSIDERATIONS

The significant accounting policies that have been used in the preparation of these Financial Statements are summarised below.

##### NOTE 3.2 - BASIS OF PREPARATION

The Financial Statements have been prepared in accordance with Sri Lanka Accounting Standards under the historical cost convention except for following financial statement line item.

Financial Assets at fair value through profit & loss, which are measured at fair value.

The statement of financial position is presented on a liquidity basis and assets and liabilities are presented in decreasing order of liquidity and are not distinguished between the current and non-current.





## SENFIN DYNAMIC INCOME FUND

### NOTES TO THE FINANCIAL STATEMENTS (CONTD.)

#### NOTE 3.3 - REVENUE RECOGNITION

##### (a) Interest Income

Interest income for all interest-bearing financial instruments is recognised within interest income in the statement of comprehensive income using the effective interest method.

The effective interest rate method is the method of calculating the amortised cost of a financial asset and allocating the interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset. When calculating the effective interest rate, the Fund estimates cash flows considering all contractual terms of the financial instrument but does not consider future credit losses. The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts.

##### (b) Realised gains/(losses) on financial assets at FVTPL

Net gains on sale of government securities are accounted for on the date of sale by deducting the carrying value of the securities from the sale proceeds.

##### (c) Unrealised gains/(losses) on financial assets at FVTPL

Unrealised gains/(losses) on financial assets at FVTPL includes all gains and losses that arise from changes in fair value of the financial assets at FVTPL as at the reporting date.

#### NOTE 3.4 - FINANCIAL INSTRUMENTS - INITIAL RECOGNITION, CLASSIFICATION, SUBSEQUENT MEASUREMENT AND DERECOGNITION

##### NOTE 3.4.1 - RECOGNITION AND INITIAL MEASUREMENT OF FINANCIAL ASSETS

Debt securities issued are initially recognised when they are originated. All other financial assets are initially recognised when the fund becomes a party to the contractual provisions of the instrument.

Except in the case of financial assets and financial liabilities recorded at FVTPL, transaction costs are added to, or subtracted from this amount.

##### NOTE 3.4.2 - CLASSIFICATION

On initial recognition, a financial asset is classified as measured at: amortised cost or FVTPL. Financial assets are not reclassified subsequent to their initial recognition unless the fund changes its business model for managing financial assets in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

A financial asset is measured at amortised cost if it meets both of the following conditions:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All financial assets not classified as measured at amortised cost as described above are measured at FVTPL. This includes derivative financial assets if any.







## SENFIN DYNAMIC INCOME FUND

### NOTES TO THE FINANCIAL STATEMENTS (CONTD.)

#### NOTE 3.4 - FINANCIAL INSTRUMENTS - INITIAL RECOGNITION, CLASSIFICATION, SUBSEQUENT MEASUREMENT AND DERECOGNITION (CONTD.)

##### NOTE 3.4.3 - SUBSEQUENT MEASUREMENT AND GAINS OR LOSSES

Financial assets at amortised cost	These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses, if any. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented as realised gain/(loss) on debt Instruments held at amortised cost.
Financial assets at FVTPL	These assets are subsequently measured at their fair value. Net gains and losses, including any interest or dividend income, are recognised in profit or loss. Net change in unrealised gains/losses on equity investments includes the accumulated gains/losses on realised equity investments, since the realised gain/losses are computed on the difference between weighted average cost of purchase and the selling price.

##### NOTE 3.4.4 - DERECOGNITION

The fund derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the fund neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

The fund enters into transactions whereby it transfers assets recognised in its statement of financial position, but retains either all or substantially all of the risks and rewards of the transferred assets. In these cases, the transferred assets are not derecognised.

##### NOTE 3.4.5 - RECOGNITION AND INITIAL MEASUREMENT OF FINANCIAL LIABILITIES

Financial Liabilities are measured initially at fair value and recognized on the trade date at which the Fund becomes a party to the contractual provisions of the instrument.

##### Accrued Expenses

Payables are initially recognised at fair value, which is the fair value of the consideration to be paid in the future for service received, whether or not billed to the fund, and subsequently at amortised cost.

##### NOTE 3.4.6 - CLASSIFICATION AND SUBSEQUENT MEASUREMENT

Financial liabilities are classified as measured at amortised cost. Other financial liabilities are subsequently measured at amortised cost using the effective interest method.

Financial liabilities include accrued expenses and other payables.



**SENFIN DYNAMIC INCOME FUND****NOTES TO THE FINANCIAL STATEMENTS (CONTD.)****NOTE 3.4 - FINANCIAL INSTRUMENTS - INITIAL RECOGNITION, CLASSIFICATION, SUBSEQUENT MEASUREMENT AND DERECOGNITION (CONTD.)****NOTE 3.4.7 - DERECOGNITION**

The fund derecognises a financial liability when its contractual obligations are discharged or cancelled, or expire. The fund also derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognised at fair value.

On derecognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognised in profit or loss.

**NOTE 3.4.8 - OFFSETTING OF FINANCIAL INSTRUMENTS**

Financial assets and financial liabilities are offset and the net amount reported in the statement of financial position if, and only if:

- There is a currently enforceable legal right to offset the recognised amounts and
- There is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

**NOTE 3.4.9 - IMPAIRMENT**

The fund derecognises loss allowances for expected credit losses (ECLs) on financial assets measured at amortised cost.

The fund measures loss allowances at an amount equal to lifetime ECL, except for bank balances for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition which are measured as 12-month ECL.

Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument. 12-month ECLs are the portion of ECLs that result from default events that are possible within the 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months). The maximum period considered when estimating ECLs is the maximum contractual period over which the fund is exposed to credit risk.

The Fund uses the ratings from either Fitch Rating Lanka Limited or ICRA Lanka Limited as applicable to determine the significant deterioration in credit risk and to estimate the ECLs.

**NOTE 3.4.10 - CREDIT-IMPAIRED FINANCIAL ASSETS**

At each reporting date, the fund assesses whether financial assets carried at amortised cost are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable data: –

- Significant financial difficulty of the borrower or issuer;
- A breach of contract such as a default or being more than 90 days past due;
- The restructuring of a loan or advance by the Company on terms that the Company would not consider otherwise;
- It is probable that the borrower will enter bankruptcy or other financial reorganization.

As of the statement of financial position date the fund has not observed any of the above thus no impairment provision has been recognized in the financial statements.



**SENFIN DYNAMIC INCOME FUND****NOTES TO THE FINANCIAL STATEMENTS (CONTD.)****NOTE 3.4 - FINANCIAL INSTRUMENTS - INITIAL RECOGNITION, CLASSIFICATION, SUBSEQUENT MEASUREMENT AND DERECOGNITION (CONTD.)****NOTE 3.4.11 - PRESENTATION OF ALLOWANCE FOR ECL IN THE STATEMENT OF FINANCIAL POSITION**

Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets.

**NOTE 3.4.12 - WRITE OFFS**

The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery.

**NOTE 3.5 - CASH AND CASH EQUIVALENTS**

Cash and cash equivalents comprise of cash at bank.

The cash flow statement has been prepared using the direct method.

For the purpose of the statement of cash flows, cash and cash equivalents consist of cash and cash equivalents as defined above.

**NOTE 3.6 - PROVISIONS**

Provisions are recognised when the Fund has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made.

**NOTE 3.7 - INCOME TAX**

The provision for income tax is based on the elements of income and expenditure as reported in the financial statements and computed in accordance with the provisions of Inland Revenue Act.

The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date. The Fund is not liable to pay income tax as at the reporting date in accordance with Chapter V Division III of the Inland Revenue Act No. 24 of 2017. The fund's income generated through eligible investment business are treated as "pass through vehicles" under the provisions of Inland Revenue Act No. 24 of 2017.

**NOTE 3.8 - EXPENSES**

The management, trustee and custodian fees of the fund as per the trust deed are as follows,

Management Fees	-	0.5 % p.a of Net Asset Value of the fund
Trustee Fees	-	0.15% p.a of Net Asset Value of the fund
Custodian Fees	-	Flat fee of Rs. 20,000/- per Month



**SENFIN DYNAMIC INCOME FUND****NOTES TO THE FINANCIAL STATEMENTS (CONTD.)****NOTE 3.9 - UNIT HOLDERS' FUNDS**

Unit holders' funds has been calculated as the difference between the carrying amounts of the assets and the carrying amounts of the liabilities, other than those due to Unit holders as at the reporting date.

Units can be issued and redeemed based on the fund's net asset value per unit, calculated by dividing the net assets of the fund calculated in accordance with the Trust Deed valuation guidelines adopted by the Unit Trust Association of Sri Lanka and directives issued by the Securities and Exchange Commission of Sri Lanka, by the number of units in issue. Income not distributed is included in net assets attributable to unit holders.

**NOTE 3.10 - DISTRIBUTIONS**

In accordance with the trust deed, the fund distributes income, to unit holders by cash or reinvestment in units. The distributions are recorded in the statement of movement in unit holders' funds.

**NOTE 3.11 - SIGNIFICANT MANAGEMENT JUDGEMENT IN APPLYING ACCOUNTING POLICIES AND ESTIMATION UNCERTAINTY**

When preparing the financial statements, management makes a number of judgements, estimates and assumptions about the recognition and measurement of assets, liabilities, income and expenses.

**Significant management judgments**

The following are significant management judgments when applying the accounting policies of the Fund that have the most significant effect on the financial statements.

**Estimation uncertainty**

Information about estimates and assumptions that have the most significant effect on recognition and measurement of assets, liabilities, income and expenses is provided below. Actual results may be substantially different.

- **Impairment**

In assessing impairment, management estimates the recoverable amount of each asset or cash-generating units based on expected future cash flows and uses an interest rate to discount them. Estimation uncertainty relates to assumptions about future operating results and the determination of a suitable discount rate.



**SENFIN DYNAMIC INCOME FUND****NOTES TO THE FINANCIAL STATEMENTS (CONTD.)****NOTE 3.12 - FINANCIAL RISK MANAGEMENT****a) Financial risk management objectives, policies and processes**

Risks arising from holding financial instruments are inherent in the Fund's activities, and are managed through a process of ongoing identification, measurement and monitoring. The Fund is exposed to various risk, including credit risk, market risk, interest rate risk and liquidity risk.

Financial instruments of the fund comprise investments in treasury securities, fixed deposits, commercial papers, trust certificates, quoted debentures and money market deposits for the purpose of generating a return on the investment made by unit holders, in addition to cash at bank and other financial instruments such as receivables and payables, which arise directly from its operations.

The Fund Manager is responsible for identifying and controlling the risk that arise from these financial instruments. The Manager agrees policies for managing each of the risks identified below.

The risks are measured using a method that reflects the expected impact on the Statement of Profit or Loss and Other Comprehensive Income and Statement of Financial Position of the Fund from reasonably possible changes in the relevant risk variables. Information about these risk exposures at the reporting date, measured on this basis, is disclosed below.

The Fund Manager also monitors information about the total fair value of financial instruments exposed to risk, as well as compliance with established investment mandate limits. These mandate limits reflect the investment strategy and market environment of the Fund, as well as the level of risk that the Fund is willing to accept, with additional emphasis on selected industries. This information is prepared and reported to relevant parties by the Manager on a regular basis as deemed appropriate, including the Fund Manager, other key management, Risk and Investment Committees, and ultimately the Trustees of the Fund.

Concentration of risk arises when a number of financial instruments or contracts are entered in to with the same counterparty, or where a number of counterparties are engaged in similar business activities, or activities in the same geographic region, or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economics, political or other conditions.

The SENFIN DYNAMIC INCOME FUND bears certain risks that are normally associated with making investments in securities. The value of the Units of this Fund and the income accruing to the Fund rise and fall based on the interest rate in the market. Unlike bank savings and fixed deposits, there can be no assurance or guarantee of fixed returns in relation to investments made in Units.

The Fund's ability to achieve its investment objectives is substantially dependent on the overall performance of the economy and environmental factors. The Fund is also subject to various degrees of regulatory, fiscal, liquidity, inflation, interest rate and re-investment risks.



## SENFIN DYNAMIC INCOME FUND

## NOTES TO THE FINANCIAL STATEMENTS (CONTD.)

## NOTE 3.12 - FINANCIAL RISK MANAGEMENT (CONTD.)

## a) Financial risk management objectives, policies and processes (Contd.)

## i) Interest Rate Risk:

Interest rate risk is the risk that the value of a financial instrument will fluctuate as a result of changes in market interest rates.

The fund's interest bearing financial assets expose it to risks associated with the effects of fluctuations in the prevailing levels of market interest rates on its financial position and cash flows. The risk is measured using sensitivity analysis. However, due to the short-term nature of the instruments of repurchase agreements and fixed deposits it is reasonably expected that the fluctuation in interest rate will not materially impact the net assets value of the fund.

The table below summarises the fund's exposure to interest rate risks.

31 December 2023	Floating interest rate Rs.	Fixed interest rate Rs.	Non- interest bearing Rs.	Total Rs.
<b>Financial assets</b>				
Cash and cash equivalents	-	6,045,596	25,000	6,070,596
Financial asset held at fair value through profit or loss	143,632,928	1,293,092,235	-	1,436,725,163
Financial asset at amortized cost	-	106,287,749	-	106,287,749
<b>Total</b>	<b>143,632,928</b>	<b>1,405,425,580</b>	<b>25,000</b>	<b>1,549,083,508</b>

31 December 2022	Floating interest rate Rs.	Fixed Interest rate Rs.	Non- interest bearing Rs.	Total Rs.
<b>Financial assets</b>				
Cash and cash equivalents	-	26,530,059	25,000	26,555,059
Financial asset held at fair value through profit or loss	-	658,127,883	-	658,127,883
Financial asset at amortized cost	-	116,484,295	-	116,484,295
<b>Total</b>	<b>-</b>	<b>801,142,237</b>	<b>25,000</b>	<b>801,167,237</b>



## SENFIN DYNAMIC INCOME FUND

## NOTES TO THE FINANCIAL STATEMENTS (CONTD.)

## NOTE 3.12 - FINANCIAL RISK MANAGEMENT (CONTD.)

a) **Financial risk management objectives, policies and processes (Contd.)**ii) **Credit Risk:**

Credit risk is the risk that the counterparty to the financial instruments will fail to discharge an obligation and cause the fund to incur a financial loss of interest and/or principal.

The fund's exposure to credit risk from its financial assets arises from default of the counterparty, with the current exposure equal to the carrying amount of financial assets as at the reporting date. It is the fund's policy to enter into contracts with reputable counterparties.

The fund is also subject to credit risk on its bank balances and investment in commercial papers. The credit risk exposure on these instruments is not deemed to be significant.

The funds' maximum exposure to credit risk can be analysed as follows;

2023 Counterparty	Credit rating	Rating agency
Senkadagala Finance PLC	BBB	Fitch Rating
NSB Fund Management Co. Ltd	AA	Fitch Rating
Hatton National Bank PLC	A	Fitch Rating
People's Bank	A	Fitch Rating
National Development Bank PLC	A-	Fitch Rating
Commercial Bank PLC	A	Fitch Rating
Asia Assets Finance PLC	A-	Lanka Rating

iii) **Market risk**

Market risk represents the risk that the value of the Fund's investments portfolios will fluctuate as a result of changes in market prices.

This risk is managed by ensuring that all investment activities are undertaken in accordance with established mandate limits and investments strategies.

While market risk cannot be eliminated the fund manager will attempt to reduce this risk by diversifying the fund's investment portfolio in line with investment objectives of the fund.



## SENFIN DYNAMIC INCOME FUND

### NOTES TO THE FINANCIAL STATEMENTS (CONTD.)

#### NOTE 3.12 - FINANCIAL RISK MANAGEMENT (CONTD.)

##### a) Financial risk management objectives, policies and processes (Contd.)

##### iv) Liquidity Risk:

Liquidity risk is the risk that the Fund will encounter difficulty in raising Funds to meet its obligations to pay unitholders. Exposure to liquidity risk arises because of the possibility that the fund could be required to pay its liabilities or redeem its units earlier than expected. Units are redeemable at the unit holder's option based on the fund's net asset value per unit at the time of redemption.

The fund manages its obligation when required to do so and its overall liquidity risk by:

- investing primarily in marketable securities and other financial instruments, which under normal market conditions are readily convertible to cash
- investing within established limits to ensure there is no concentration of risk
- Maintaining sufficient cash and cash equivalents to meet normal operating requirements and expected redemption requests. The Fund requires a minimum of 3% of the deposited property to be maintained in cash or near cash. (near cash means investments such as bank/call deposits, repurchase agreements with maturities of less than 3 months, commercial paper endorsed or guaranteed by a Licensed Commercial Bank or Licensed Specialized Bank with maturities of less than 3 months and government securities including government bonds with maturities of less than one year which can be readily convertible into cash.)
- Searching for new investors
- The maximum interval between the receipt of a valid request for redemption of units and the payment of the redemption money to the Unit Holder, shall not exceed ten (10) business days from the day on which the request was received. Where, for any exceptional reason, it is not feasible or desirable to make payment of the redemption money within ten (10) business days, the Commission shall be notified forthwith giving reasons as to why such payment should not be made within ten (10) business days.

Where redemption requests on any Business Day exceed ten per centum (10%) of the total number of units in issue in the Fund, the redemption requests in excess of the ten per centum (10%) may be deferred to the next dealing day provided the SEC is notified in writing of such deferral.

Other Financial liabilities have no contractual maturities. Due to the short-term nature of these financial instruments, carrying value approximates fair value.

The table below analyses the Fund's non-derivative financial assets and liabilities into relevant maturity groupings based on the remaining period at the end of the reporting period.





## SENFIN DYNAMIC INCOME FUND

## NOTES TO THE FINANCIAL STATEMENTS (CONTD.)

## NOTE 3.4 - FINANCIAL INSTRUMENTS - INITIAL RECOGNITION, CLASSIFICATION, SUBSEQUENT MEASUREMENT AND DERECOGNITION (CONTD.)

31st December 2023	Less than 30 days	31 – 180 days	181 – 365 days	More than 365 days	Total
	Rs.	Rs.	Rs.	Rs.	Rs.
Financial Assets	149,703,525	253,593,656	156,815,843	988,970,534	1,549,083,558
Financial Liabilities	1,442,174	-	-	-	1,442,174

31st December 2022	Less than 30 days	31 – 180 days	181 – 365 days	More than 365 days	Total
	Rs.	Rs.	Rs.	Rs.	Rs.
Financial Assets	41,873,503	333,985,208	11,145,127	414,163,399	801,167,237
Financial Liabilities	775,581	-	-	-	775,581

## SENFIN DYNAMIC INCOME FUND

## NOTES TO THE FINANCIAL STATEMENTS (CONTD.)

## NOTE 3.12 - FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTD.)

- a) **Financial risk management objectives, policies and processes (Contd.)**
- v) **Capital risk management**

The Fund considers its net assets attributable to unit holders as capital, notwithstanding net assets attributable to unit holders are classified as a liability. The amount of net assets attributable to unit holders can change significantly on a daily basis as the Fund is subject to daily subscriptions and redemptions.

Daily subscriptions and redemptions are reviewed relative to the liquidity of the Fund's underlying assets on a daily basis by the Management Company.

Following being the disclosures of Unit holders' Funds;

The movement in the Unit holder's Funds for the year ended 31 December 2023.

In term of Value	Rs.
<b>Unit holders' funds as at beginning of the year</b>	<b>800,391,656</b>
Creations during the year	401,252,304
Redemptions during the year	(92,993,790)
Increase in net assets attributable to Unit Holders during the year	438,991,164
<b>Unit Holders' Funds as at 31 December 2023</b>	<b><u>1,547,661,334</u></b>

## In term of No. of units

<b>Opening number of units as at beginning of the year</b>	<b>70,709,506.90</b>
Unit creations during the year	28,262,143.10
Unit redemptions during the year	(6,749,045.90)
<b>Closing no of units as at 31 December 2023</b>	<b><u>92,222,604.10</u></b>

As stipulated within the Trust Deed, each unit represents a right to an individual share in the Fund and does not extend to a right to the underlying assets of the Fund. There are no separate classes of units and each unit has the same rights attaching to it as all other units of the Fund.



## SENFIN DYNAMIC INCOME FUND

## NOTES TO THE FINANCIAL STATEMENTS (CONTD.)

31.12.2023  
Rs.

31.12.2022  
Rs.

## NOTE 4 - CASH &amp; CASH EQUIVALENTS

## Cash at Bank

Hatton National Bank - Money Market - 003020852310	6,045,596	26,530,059
Hatton National Bank - Current Account - 003010539120	25,000	25,000
	<u>6,070,596</u>	<u>26,555,059</u>

## NOTE 5 - FINANCIAL ASSETS - FAIR VALUE THROUGH PROFIT OR LOSS

Quoted Debentures (Note 5.1)	109,502,319	39,909,236
Treasury Bills (Note 5.2)	253,593,655	243,964,476
Treasury Bond (Note 5.3)	829,292,191	374,254,171
Un Quoted Debentures (Note 5.4)	100,704,070	-
Unit Trust (Note 5.5)	143,632,928	-
	<u>1,436,725,163</u>	<u>658,127,883</u>

## NOTE 5.1 - QUOTED DEBENTURES

	2023			2022		
	Cost Rs.	Market Value Rs.	Holdings as % of net asset value	Cost Rs.	Market Value Rs.	Holdings as % of net asset value
Senkadagala Finance PLC	52,582,394	50,528,071	3%	52,998,999	39,909,236	5%
National Development Bank PLC	40,327,945	39,905,560	3%	-	-	-
Commercial Bank PLC	19,106,137	19,068,688	1%	-	-	-
	<u>112,016,476</u>	<u>109,502,319</u>	<u>7%</u>	<u>52,998,999</u>	<u>39,909,236</u>	<u>5%</u>

## NOTE 5.2 - TREASURY BILLS

NSB Fund Management Co. Ltd	-	-	-	249,829,965	243,964,476	30%
Wealth Trust Securities Ltd	221,219,940	224,741,247	15%	-	-	-
First Capital Treasuries Ltd	28,414,971	28,852,408	2%	-	-	-
	<u>249,634,911</u>	<u>253,593,655</u>	<u>17%</u>	<u>249,829,965</u>	<u>243,964,476</u>	<u>30%</u>

## NOTE 5.3 - TREASURY BOND

Wealth Trust Securities Ltd	514,696,523	623,088,234	40%	319,285,156	273,963,519	34%
NSB Fund Management Co. Ltd	115,775,350	144,872,234	9%	111,493,047	100,290,652	13%
Acuity Securities Limited	47,207,072	61,331,723	4%	-	-	-
	<u>677,678,945</u>	<u>829,292,191</u>	<u>54%</u>	<u>430,778,203</u>	<u>374,254,171</u>	<u>47%</u>

## NOTE 5.4 - UN QUOTED DEBENTURES

People's Bank	101,457,534	100,704,070	10%	-	-	-
	<u>101,457,534</u>	<u>100,704,070</u>	<u>10%</u>	<u>-</u>	<u>-</u>	<u>-</u>

## NOTE 5.5 - UNIT TRUST

Senfin Money Market Fund	142,693,311	143,632,928	9%	-	-	-
	<u>142,693,311</u>	<u>143,632,928</u>	<u>9%</u>	<u>-</u>	<u>-</u>	<u>-</u>



## SENFIN DYNAMIC INCOME FUND

## NOTES TO THE FINANCIAL STATEMENTS (CONTD.)

## NOTE 5 - FINANCIAL ASSETS - FAIR VALUE THROUGH PROFIT OR LOSS (CONTD.)

## Determination of fair value and fair value hierarchy

SLFRS 7 Financial Instruments : Disclosures require fair value measurements to be disclosed by the source of inputs, using a three level hierarchy. The hierarchy for measuring fair value consists of Level 1 to 3.

Level 1 -	An investment in a fund is classified in Level 1 of the hierarchy when that investment is quoted in an active market and measured at the unadjusted quoted price at the reporting date
Level 2 -	An investment in a fund is classified in Level 2 of the hierarchy when that investment is measured using inputs that are directly observable at the reporting date
Level 3 -	An investment in a fund is classified in Level 3 of the hierarchy when that investment is measured using unobservable inputs at the reporting date

The following assumptions used to value the level 2 securities where there is no active trading price is available:

## a) Quoted Securities

All quoted securities are valued at the last trading price. However, if there is no trades for last 90 calendar days for a particular quoted security (ies), those quoted securities are valued on mark to market basis using the daily yield curve released by the Central Bank of Sri Lanka (CBSL) until the next trading day, including any risk premium attached to the instrument.

## b) Risk Premium

The risk premium for valuation of quoted and unquoted debt securities shall continue to be calculated as the difference between the yield on the corporate debt and the yield on the government security of a similar maturity at the time of investing.

The following table shows an analysis of financial instruments recorded at fair value by level of the fair value hierarchy:

Financial Assets at Fair Value through Profit or Loss	Level 1	Level 2	Level 3	Total
Quoted Debentures	-	109,502,319	-	109,502,319
Treasury Bills	253,593,655	-	-	253,593,655
Treasury Bond	829,292,191	-	-	829,292,191
Un Quoted Debentures	-	100,704,070	-	100,704,070
Unit Trust	-	143,632,928	-	143,632,928
Total Financial Assets at Fair Value as at 31st December 2023	<u>1,082,885,846</u>	<u>353,839,317</u>	<u>-</u>	<u>1,436,725,163</u>
Quoted Debentures	-	39,909,236	-	39,909,236
Treasury Bills	243,964,476	-	-	243,964,476
Treasury Bond	374,254,171	-	-	374,254,171
Total Financial Assets at Fair Value as at 31st December 2022	<u>618,218,647</u>	<u>39,909,236</u>	<u>-</u>	<u>658,127,883</u>



## SENFIN DYNAMIC INCOME FUND

## NOTES TO THE FINANCIAL STATEMENTS (CONTD.)

31.12.2023  
Rs.31.12.2022  
Rs.

## NOTE 6 - FINANCIAL ASSETS - DEBT INSTRUMENTS AS AT AMORTIZED COST

## Presentation under SLFRS 9

Fixed Deposits (Note 6.1)	-	83,735,615
Trust Certificate (Note 6.2)	106,287,749	17,430,236
Treasury bill/ bond repurchase agreements (Note 6.3)	-	15,318,444
	<u>106,287,749</u>	<u>116,484,295</u>

## NOTE 6.1 - FIXED DEPOSIT

	31.12.2023 Rs.	Holdings as % of net asset value	31.12.2022 Rs.	Holdings as % of net asset value
People's Bank	-	-	83,735,616	10%
	<u>-</u>	<u>-</u>	<u>83,735,616</u>	<u>10%</u>

## NOTE 6.2 - TRUST CERTIFICATE

Commercial Leasing & Finance PLC	-	-	17,430,236	2%
Asia Asset Finance PLC	106,287,749	7%	-	-
	<u>106,287,749</u>	<u>7%</u>	<u>17,430,236</u>	<u>2%</u>

## NOTE 6.3 - TREASURY BILL/ BOND REPURCHASE AGREEMENTS

NSB Fund Management Co. Ltd	-	-	15,318,444	2%
	<u>-</u>	<u>-</u>	<u>15,318,444</u>	<u>2%</u>

## NOTE 7 - ACCRUED &amp; OTHER PAYABLES

## Accrued Expenses

Management Fees	635,869	338,261
Trustee Fees	230,687	122,150
Custody Fees	24,042	24,548
Audit Fees	131,998	141,533
Unidentified Deposits	186,301	-
Professional Fee	233,277	149,089
	<u>1,442,174</u>	<u>775,581</u>



## SENFIN DYNAMIC INCOME FUND

## NOTES TO THE FINANCIAL STATEMENTS (CONTD.)

	31.12.2023 Rs.	31.12.2022 Rs.
<b>NOTE 8 - INTEREST INCOME</b>		
Interest Income on Treasury securities	196,240,933	98,785,889
Interest Income on Fixed Deposits	5,345,891	11,845,492
Interest Income on Trust Certificates	6,960,495	1,950,614
Interest Income on Commercial Papers	-	1,593,338
Interest Income on Quoted Debentures	6,605,398	6,187,264
Interest Income on Un-Quoted Debentures	1,534,246	-
Interest Income on Money Market Savings	4,461,077	1,790,840
	<u>221,148,040</u>	<u>122,153,437</u>

**NOTE 8.1 - REALISED LOSS ON SALE OF GOVERNMENT SECURITIES**

Loss on Sale of Treasury Bills	1,846,214	-
	<u>1,846,214</u>	<u>-</u>

**NOTE 8.2 - REALISED GAIN ON SALE OF UNIT TRUST**

Gain on Sale of Unit Trust	1,093,311	-
	<u>1,093,311</u>	<u>-</u>

**NOTE 9 - UNREALISED GAINS / (LOSSES) ON FINANCIAL ASSETS FAIR VALUE THROUGH PROFIT OR LOSS**

Quoted Debentures	10,574,832	(14,277,582)
Un- Quoted Debenture	(753,464)	-
Treasury Bills	9,824,235	(5,876,662)
Treasury Bond	208,137,291	(56,524,037)
Unit Trust	939,618	-
	<u>228,722,512</u>	<u>(76,678,281)</u>

**NOTE 10 - NET PROFIT / (LOSS) BEFORE TAXATION**

Net Profit / (Loss) is arrived after charging all expenses including the following:-

Management Fees	5,685,469	3,216,399
Trustee Fees	2,021,275	1,086,705
Custodian Fees	283,076	268,416
Audit Fees	132,143	141,533
- Over Provision prior year	-	(8,401)
	<u>-</u>	<u>(8,401)</u>

**NOTE 11 - INCOME TAX EXPENSES**

Tax expense for the year	-	-
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As per the Inland Revenue Act No. 24 of 2017, the fund is deemed as conducting "Eligible Investment Business" and is treated as a tax pass through vehicle. Hence, no provision for the income tax was made in the financial statements.

A reconciliation between the tax expense and the product of taxable profit multiplied by the statutory tax rate is as follows:

	31.12.2023 Rs.	31.12.2022 Rs.
Net Profit / (Loss) before tax	438,991,164	40,673,751
Aggregate disallowable expenses / net gains	-	-
Income Exempt from tax	(438,991,164)	(40,673,751)
Aggregate allowable net (gains) / Losses	-	-
Statutory Income / (Loss)	-	-
Total statutory income	<u>-</u>	<u>-</u>
Income tax expense reported in the Statement of Comprehensive Income	<u>-</u>	<u>-</u>



## SENFIN DYNAMIC INCOME FUND

## NOTES TO THE FINANCIAL STATEMENTS (CONTD.)

## NOTE 12 - CAPITAL COMMITMENTS

There were no material Capital Commitments as at 31st December 2023.

## NOTE 13 - EVENTS AFTER THE REPORTING DATE

No circumstance has arisen since the reporting date which would require adjustment to or disclosure in the financial statements.

## NOTE 14 - CONTINGENCIES

There are no material contingencies existing as at the reporting date that require adjustments to or disclosure in the Financial Statements.

## NOTE 15 - RECONCILIATION BETWEEN THE NET ASSET VALUE AS PER FINANCIAL STATEMENTS AND THE PUBLISHED NET ASSET VALUE

	2023 Rs.	2022 Rs.
Net Asset Value as per Financial Statements	1,547,641,334.00	800,391,656.00
Income Tax Receivable	-	-
Other Expense over / under provision	(772.98)	21,897.00
Published Net Asset Value	<u>1,547,640,561.02</u>	<u>800,413,553.00</u>
Number of units outstanding	92,222,604	70,709,507
Published Net Asset Value per Unit	<u>16.78</u>	<u>11.32</u>

## NOTE 16 - UNITS IN ISSUE AND UNIT PRICE

Units in issue and deemed to be in issue as at 31st December 2023 is 92,222,604. The Net Asset Value per unit as at this date was Rs. 16.78 (2022 - 11.32).



## SENFIN DYNAMIC INCOME FUND

## NOTES TO THE FINANCIAL STATEMENTS (CONTD.)

## NOTE 17 - RELATED PARTY TRANSACTIONS

The following institutions have been identified as related parties to the Fund in accordance with Sri Lanka Accounting Standards LKAS 24 - Related Party Disclosures.

**Responsible entity**

The management Company of SENFIN DYNAMIC INCOME FUND is Senfin Asset Management (Private) Limited.

The Trustee is Hatton National Bank PLC

**Key management personnel****i) Directors**

Key management personnel includes persons who were Directors of Senfin Asset Management (Private) Limited at any time during the financial period.

Dr. Prathap Ramanujam

Mr. Darshan Ravindra Abeysuriya (upto 02.11.2023)

Mr. Sonal Balasuriya

Mr. Keshav Balasuriya

Mr. Tilak Collure

Mr. Sanath Bandaranayake

**ii) Other key management personnel**

Other persons with responsibility for planning, directing and controlling the activities of the fund, directly or indirectly during the financial period are given below:

Mr. Jeevan Sukumaran - Chief Executive Officer

Ms. Monica Wanigasekara - Fund Manager (upto 30/09/2023)

Mr. Surath Perera - Chief Investment Officer

Mr. Ravinath Weerakoon - Fund Manager (upto 30/09/2023)

Mr. Rajitha Elapatha - Senior Fund Manager (From 01/12/2023)

Mr. Murugiah Rajendran - Head Of Compliance

Mr. Nilanka Gamaethige - Head of Client Services & Marketing

**Key management personnel compensation**

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

**Other transactions within the Fund**

No key management personnel have entered into a material contract with the Fund during the financial period and there were no material contracts involving key management personnel's interest existing at end of the period.



## SENFIN DYNAMIC INCOME FUND

## NOTES TO THE FINANCIAL STATEMENTS (CONTD.)

## NOTE 18 - RELATED PARTY TRANSACTIONS (CONTD.)

## Related party unit holding

The following are the units held by related parties of Senfin Dynamic Income Fund.

As at 31 st December 2023	Relationship	No. of Units	Value of units held Rs.	Total interest held as a % of NAV
Senfin Asset Management (Pvt) Ltd	Fund Management Company	455,111.40	7,637,497.47	0.49%
Senkadagala Finance PLC	Parent Company of Fund Management Company	18,985,569.10	318,608,226.41	20.59%
Mr. Murugiah Rajendran	Head Of Compliance	31,497.90	528,585.16	0.03%
Mr. Surath Perera	Chief Investment Officer	61,469.40	1,031,554.88	0.07%
Mr. Ravinath Weerakoon	Fund Manager	43,955.70	737,646.98	0.05%
Mr. Nilanka Gamaethige	Head of Client Services & Marketing	1,392.50	23,368.38	0.00%
Mr. Jeevan Sukumaran	Chief Executive Officer	75,879.70	1,273,382.77	0.08%

As at 31 st December 2022	Relationship	No. of Units	Value of units held Rs.	Total interest held as a % of NAV
Senfin Asset Management (Pvt) Ltd	Management Company	500,000	5,659,850	0.70%
Ms. Ineka Dunuwille	Chief Executive Officer (Up to 31.10.2022)	2,000	22,639	0.00%
Mr. Surath Perera	Fund Manager	500	5,660	0.00%
Mr. Ravinath Weerakoon	Fund Manager	9,429	106,731	0.01%
Mr. Nilanka Gamaethige	Head of Client Services & Marketing	1,393	15,763	0.00%

## Transactions with and amounts due to related parties

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

	Payable as at 31.12.2023	Payable as at 31.12.2022
Management Fees	635,869	338,261
Trustee Fees	230,687	122,150
Custody Fee	24,042	24,548
	<b>Charge for the year</b>	<b>Charge for the year</b>
Management Fees	5,685,469	3,216,399
Trustee Fees	2,021,275	1,086,705
Custody Fees	283,076	268,416
	<b>Income for the year</b>	<b>Income for the year</b>
Interest Income on Treasury Securities	196,240,933	98,785,889
Interest Income on Money Market Savings	4,461,077	1,790,840
Interest Income on Quoted Debentures	6,170,094	6,187,264
	<b>As at 31.12.2023 Rs.</b>	<b>As at 31.12.2022 Rs.</b>
The Bank Balance held at HNB	25,000	25,000
The Money Market Account balance held at HNB	6,045,596	26,530,059
Investment in quoted debenture issued by Senkadagala Finance PLC (parent company of the Management company)	50,528,071	39,909,236
Senfin Money Market Fund	143,632,928	-





*Declaration by Trustees and Management Company as per SEC Circular No: 02/2009 on Guidelines for Trustees and Managing Companies of Unit Trusts Funds.*

Hatton National Bank PLC, the Trustee and Senfin Asset Management (Private) Limited, the Managers of the **Senfin Dynamic Income Fund** hereby declare that

1. the requirements of the Guidelines for Trustees and Managing Companies of Unit Trust Funds set by the Securities and Exchange Commission of Sri Lanka have been complied with during the year.
2. the transactions were and will be carried out at an arm's length basis and on terms which are best available for the fund, as well as act, at all times, in the best interest of the fund's unit holders.

Director  
Management Company

Director  
Management Company

Trustee of the Fund



## Management Company Information

### Managing Company

Senfin Asset Management (Pvt) Ltd  
267, Galle Road  
Colombo 03. Sri Lanka  
T: +94 11 2102000  
F: +94 11 231 4831  
Web: [www.senfinassetmanagement.com](http://www.senfinassetmanagement.com)

### Bankers

Commercial Bank Of Ceylon PLC  
Kollupitiya Branch  
285, Galle Road,  
Colombo- 03.

Hatton National Bank PLC  
Head Office Branch, HNB Towers  
No 479, T B Jayah Mawatha  
P O Box 837  
Colombo 10.

Nations Trusts Bank PLC  
No 242, Union Place  
Colombo 02.

### Auditors

KPMG Sri Lanka  
Chartered Accountants  
32A Sir Mohomad Macan Markar Mawatha,  
Colombo 03.

### Lawyers

Nithya Partners  
Attorneys-at-Law  
No. 97A, Galle Road  
Colombo 03.





## **Senfin Asset Management (Pvt) Ltd**

(A fully owned subsidiary of Senkadagala Finance PLC)

### **Correspondence Address**

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