

SENFIN ASSET MANAGEMENT (PVT) LTD

SENFIN DYNAMIC INCOME FUND

INTERIM REPORT

FOR THE SIX MONTH PERIOD ENDED 30TH JUNE 2024



Fund Manager



Trustee and Custodian

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FUND MANAGER'S REPORT

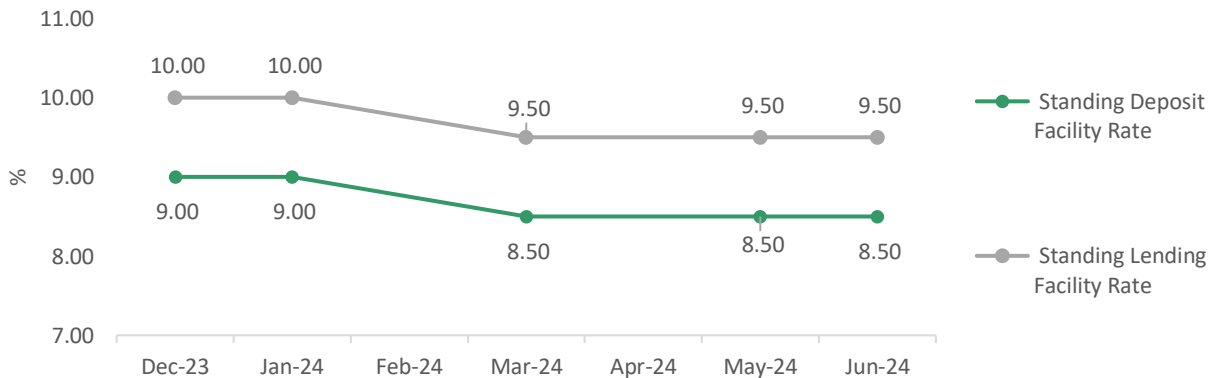
Dear Investor,

We are pleased to present the semi-annual report of Senfin Dynamic Income Fund for the six months ending June 2024.

During 1H2024, the Monetary Board of the Central Bank of Sri Lanka (CBSL) held 3 policy meetings. During the 1st Monetary Policy Review, the CBSL decided to maintain the Standing Deposit Facility Rate (SDFR) and the Standing Lending Facility Rate (SLFR) at the same level of 9.00% and 10.00% respectively. However, during the 2nd Monetary Policy Review in March 2024, the CBSL decided to reduce the SDFR and SLFR by 50 bps to 8.50% and 9.50% respectively, while keeping the SRR unchanged at 2.00%, mainly to maintain inflation at the desired level of 5% or below and to enable economic growth to reach its potential. Following that, during the 3rd Monetary Policy Review in May 2024, policy rates were maintained at same levels.

The period under review saw Treasury bill yields gradually easing. The benchmark 03, 06 and 12-month yields decreased from 14.51%, 14.16% and 12.93% respectively as at the end of December 2023 to 8.62%, 9.04% and 9.18% respectively as at the end of May 2024. Thereafter, the yields were seen moving up throughout the month of June 2024 and closed at 10.07%, 10.19% and 10.31% respectively as at 30 June 2024. During the 6 month period, the yield curve witnessed a correction and switched to a more upward sloping yield curve with the 3M and 6M yields dropping below 12M yield. Yields on long term government bonds too eased gradually, but remained volatile across the medium to long term maturities.

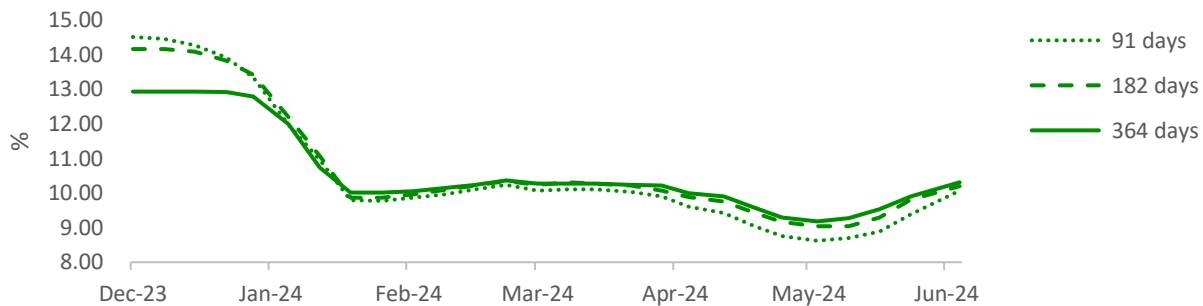
Movement in Policy Rates ¹



Source: Central Bank of Sri Lanka

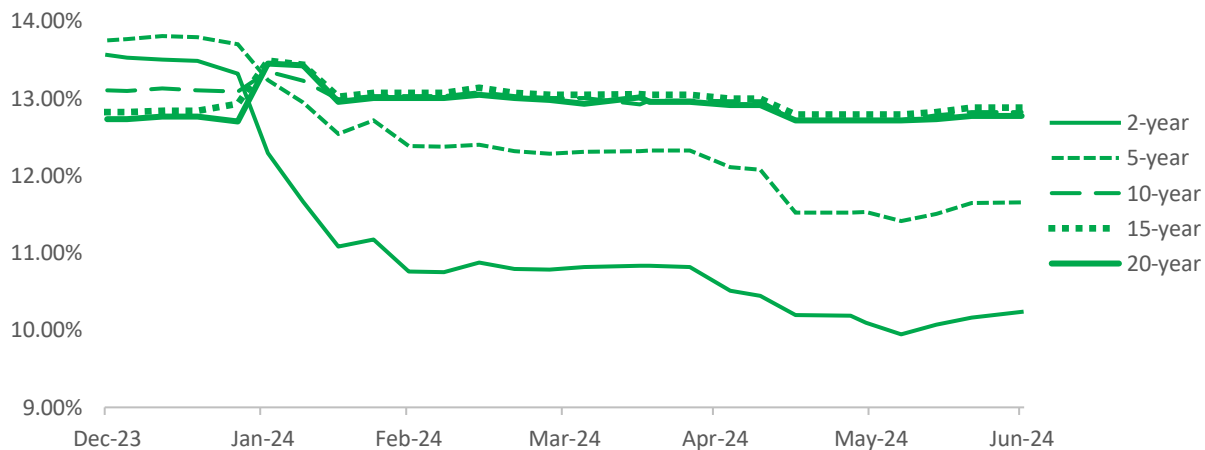
¹ Central Bank of Sri Lanka, Monetary Policy Review

Treasury Bill Rate Movement ²



Source: Central Bank of Sri Lanka

Treasury Bond Rate Movement



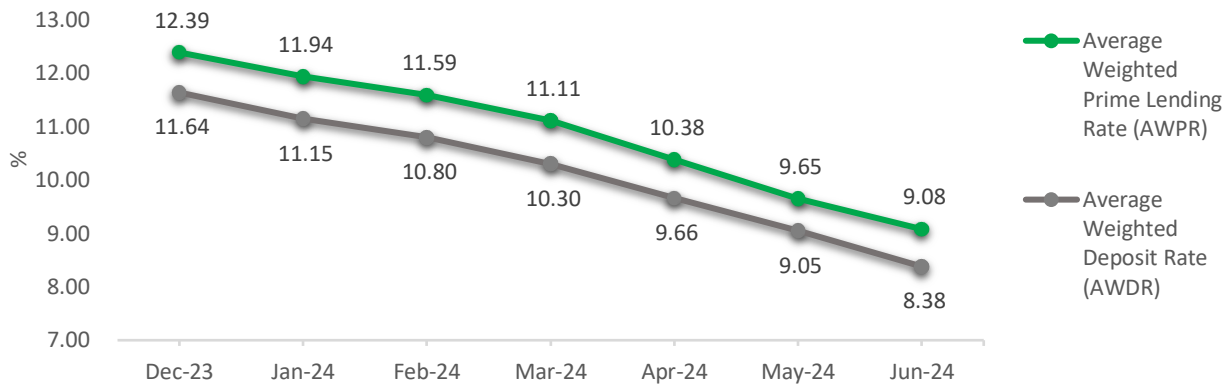
Source: Central Bank of Sri Lanka

Similarly, the Average Weighted Prime Lending Rate (AWPR) too adjusted downwards reaching 9.08% at the end of June 2024 compared to 12.39% at the end of December 2023.

Movement of Average Weighted Prime Lending Rate (AWPR) and Average Weighted Deposit Rate (AWDR) of Commercial Banks (% p.a.) at the month end³

² Central Bank of Sri Lanka, Rates on Government Securities

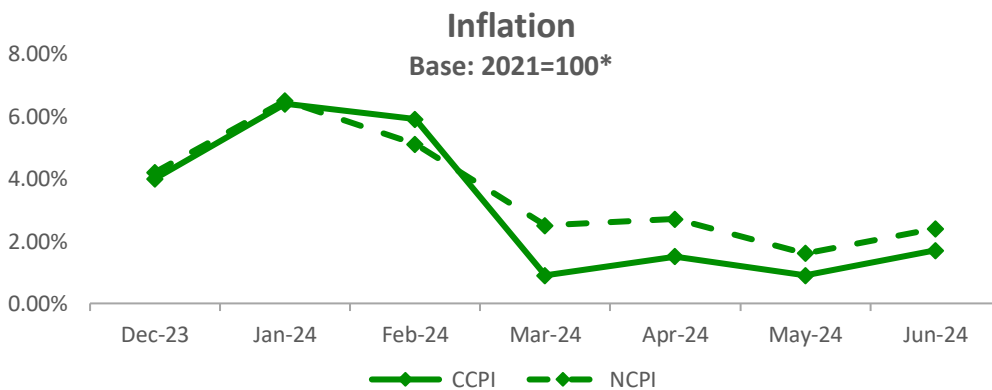
³ Central Bank of Sri Lanka, Commercial Bank Lending and Deposit Rates



Source: Central Bank of Sri Lanka

Inflation measured by the year-on-year change in the Colombo Consumer Price Index (CCPI) accelerated to 6.4% in Jan 2024 from 4.0% in Dec 2023, mainly due to tax adjustments implemented at the beginning of the month and weather-related disruptions to food supply. Similarly, inflation measured by the year-on-year change in the National Consumer Price Index (NCPI) too increased to 6.5% in Jan 2024 from 4.2% in Dec 2023. However, during subsequent months, inflation witnessed a decline and during March – June 2024 months, it remained well below the targeted of 5.0% level. Notable slowdown of Food Inflation was witnessed during the subject period while the decline of Non-Food Inflation was mainly driven by the drop in prices of fuel, gas etc. In addition, the higher base effect coming from the previous year assisted the overall slowdown of inflation.

Movement in the CCPI and NCPI ⁴



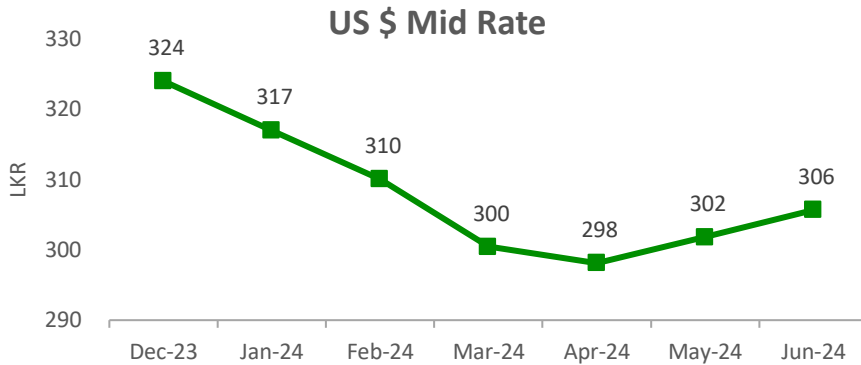
Source: Central Bank of Sri Lanka

The exchange rate experienced a gradual appreciation during Jan-Apr 2024, driven by several positive factors including increase in worker remittances, rise in tourism earnings and improvement in the country's Gross Official Reserves. However, the exchange rate recorded a slight depreciation during May-Jun 2024.

⁴ Central Bank of Sri Lanka

Sri Lanka reached External Debt Restructuring (EDR) agreement by the end of the 1H2024 with the Official Creditor Committee and Export-Import Bank of China. The agreement resulted in a maturity extension, principal moratorium and a coupon reduction.

Movement in the USD/LKR Rate⁵



Source: Central Bank of Sri Lanka

Fund Performance

We are delighted to report that the fund had posted a positive year-to-date non annualized return of 10.89% as at 30th June 2024 amidst declining market rates. However, the fund’s performance fell short of the benchmark return of 15.35%.

Fund Performance as at 30 Jun 2024	From Inception (10 Feb 2021)	Annualized Return from Inception	Year to Date	1-year
Fund Return	86.09%	20.13%	10.89%	35.77%
Benchmark Return	47.06%	12.06%	15.35%	63.76%

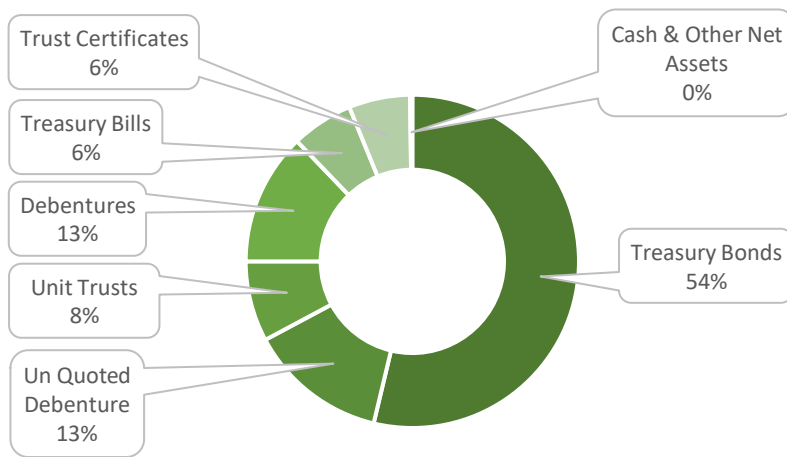
Source: Senfin Asset Management (Pvt) Ltd

Note:

- Benchmark NDBIB-CRISIL 5 Year T-Bond Index
- Performance data is net of management fees and taxes.

Asset Allocation as a percentage of Net Asset Value as at 30th June 2024

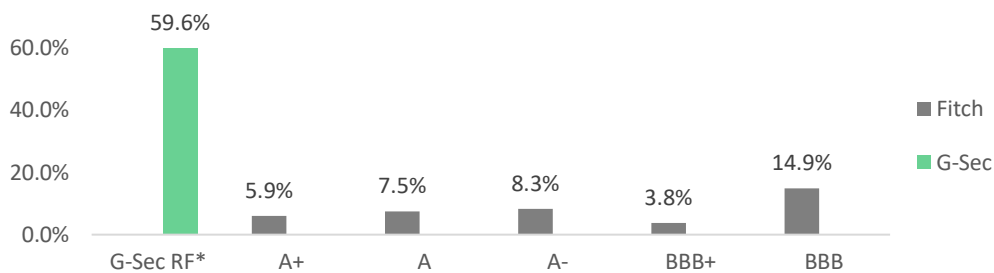
⁵ Central Bank of Sri Lanka



Source: Senfin Asset Management (Pvt) Ltd

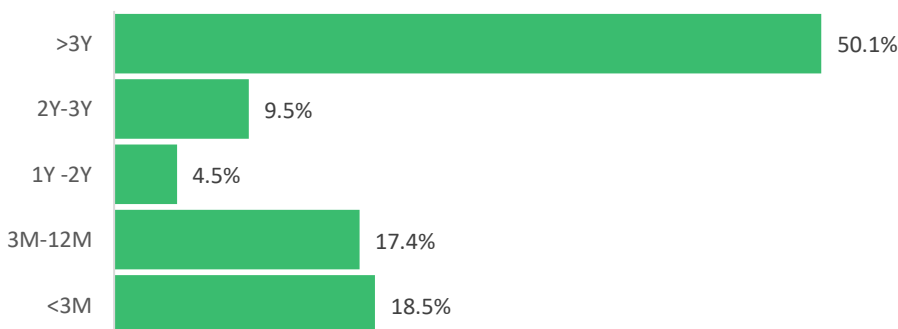
At the end of the reporting period, the fund had invested 59.6% of its total assets in risk free Treasury Securities. The remaining assets were invested in securities that were rated above investment grade, as shown in the credit profile chart below.

Credit Profile of Fund as at 30th June 2024



Source: Senfin Asset Management (Pvt) Ltd

Maturity Profile of the Fund as at 30th June 2024



Source: Senfin Asset Management (Pvt) Ltd

Treasury bill rates in May 2024 recorded their lowest yields since Jun 2022. Following this, a slight upward trend was observed during Jun 2024. Meanwhile, yields on long-term treasury bonds in the secondary market

continued to decline gradually, with early Jun 2024 marking the lowest yields for the period, assisting the fund to generate marked to market gains on the bond portfolio. However, moving towards the end of June 2024, treasury bond yields experienced a marginal increase. We expect interest rates to bottom out in upcoming months and slightly increase closer to the end of CY2024. We anticipate that the economic landscape will continue to present challenges, and we are steadfast in our dedication to managing risks while seeking prudent opportunities to enhance returns.

Sincerely,

Investment Team

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

for the six month period ended 30 June 2024

	Notes	6 month ended 30.06.2024 Rs.	6 month ended 30.06.2024 Rs.
INVESTMENT INCOME			
Interest Income	3	121,989,074	99,232,066
Realized Gain on Sale of Investment in Units	4	6,014,060	(1,846,214)
Unrealized (Loss) /Gain on Financial Assets Held at fair value through profit or loss	5	54,248,699	77,219,365
TOTAL INVESTMENT INCOME		182,251,833	174,605,216
OPERATING EXPENSES			
Management Fees		(4,295,997)	(2,199,639)
Trustee and Custodian Fees		(1,695,730)	(918,708)
Audit Fees		(119,600)	(88,271)
Tax Consultation Fees		101,292	(41,748)
WHT Expenses		(2,281,351)	(1,160,649)
Other Expenses		(82,642)	(53,632)
		(8,374,028)	(4,462,647)
NET PROFIT BEFORE TAX		173,877,805	170,142,570
Income Tax Expense	6	-	-
NET PROFIT FOR THE PERIOD		173,877,805	170,142,570
INCREASE IN NET ASSETS ATTRIBUTABLE TO UNIT HOLDERS		173,877,805	170,142,570

5.

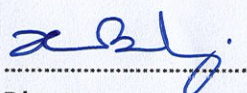
STATEMENT OF FINANCIAL POSITION

As at 30 June 2024

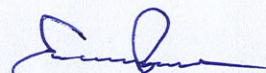
	Notes	As at 30.06.2024		As at 31.12.2023 (Audited)	
		Rs.	% NAV	Rs.	% NAV
ASSETS					
Cash and Cash Equivalents	7	6,844,832	0.4%	6,070,596	0.4%
Financial Assets - Held at Fair Value Through Profit and Loss	8	1,790,549,831	93.8%	1,436,725,163	92.8%
Financial Assets - Loans and Receivables	9	113,530,599	5.9%	106,287,749	0.07
Other Receivable	10	-	0.0%	-	-
		<u>1,910,925,262</u>	<u>100.1%</u>	<u>1,549,083,508</u>	<u>100.1%</u>
LIABILITIES					
Accrued Expenses	11	2,684,355	0.1%	1,442,174	0.1%
Total Liabilities		<u>2,684,355</u>	<u>0.1%</u>	<u>1,442,174</u>	<u>0.1%</u>
NET ASSET		<u>1,908,240,906</u>	<u>100.0%</u>	<u>1,547,641,334</u>	<u>100.0%</u>
UNIT HOLDERS' FUNDS					
Net Assets Attributable to Unit Holders	17	<u>1,908,240,906</u>		<u>1,547,641,334</u>	

5.

Signed on behalf of the Management Company



Director
Management Company



Director
Management Company

30.09.2024

Date

STATEMENT OF MOVEMENT IN UNITHOLDERS' FUND

for the six month period ended 30 June 2024

	6 month ended 30.06.2024 Rs.	6 month ended 30.06.2023 Rs.
Unit Holders' Fund as at the Beginning of the Period	1,547,641,334	800,413,553
Total Comprehensive Income for the Period	173,877,805	170,142,570
Received on Creation of Units	221,483,157	81,964,424
Paid on Redemption of Units	(34,761,390)	(47,273,081)
Net Decrease due to Unit holders' Transactions	186,721,767	34,691,342
Unit Holders' Fund as at the End of the Period	1,908,240,906	1,005,247,465
	-	-

CASH FLOW STATEMENT

for the six month period ended 30 June 2024

	6 month ended 30.06.2024 Rs.	6 month ended 30.06.2023 Rs.
Cash Flows from Operating Activities		
Interest Received	129,406,637	121,910,301
Placement fee Income	-	-
Management Fees and Trustee Fees Paid	(4,610,787)	(3,029,835)
Audit Fees Paid	(164,057)	(142,449)
Professional Fees Paid	(286,004)	-
Other Expenses Paid	194,070	(53,632)
Net Investment in Un-Quoted Debentures	(66,470,000)	-
Net Investment in Trust Certificates	-	15,000,000
Net Investment in Quoted Debenture	(187,493,843)	-
Net Investment in Reverse Repurchase Agreements	-	(75,256,859)
Net Investment in Fixed deposits	-	75,000,000
Investment in Units	(452,000,000)	-
Proceeds on disposal of units	455,000,014	-
Net Investment in Treasury Bills	97,004,520	(60,677,606)
Net Investment in Treasury Bill/Bond and Repurchase Agreements	(156,528,081)	(90,120,882)
Net Cash Flow (Used in) / Generated from Operating Activities	<u>(185,947,531)</u>	<u>(17,370,962)</u>
Cash Flows from Financing Activities		
Cash Received on Creation of Units	221,483,157	81,964,424
Cash Paid on Redemption of Units	(34,761,390)	(47,273,081)
Net Cash Generated from / (Used in) Financing Activities	<u>186,721,767</u>	<u>34,691,342</u>
	5.	
Net Increase / (Decrease) in Cash and Cash Equivalents	774,236	17,320,380
Cash and Cash Equivalents at the Beginning of the Period	6,070,596	26,555,059
Cash and Cash Equivalents at the End of the Period	Note 07 <u>6,844,832</u>	<u>43,875,439</u>

NOTES TO THE INTERIM FINANCIAL STATEMENTS

for the six month period ended 30 June 2024

1. All figures for the six month period ended 30 June 2024 are provisional and unaudited. Previous year figures have been re-arranged wherever necessary for better presentation and to be comparable with those of the current period.

2. There were no changes to the Accounting Policies and methods of computation since the publication of the Annual Report 2023.

3. INTEREST INCOME

	6 month ended 30.06.2024 Rs.	6 month ended 30.06.2023 Rs.
Interest on Bank Deposits	-	5,345,891
Interest on Treasury Securities	87,545,149	87,811,595
Interest on Quoted Debentures	9,458,619	3,050,462
Trust Certificate	7,624,055	341,811
Interest on Bank Money Market Bank account	378,340	2,682,306
Interest on Un-Quoted Debentures	16,982,912	-
	121,989,074	99,232,066

4 REALIZED GAIN ON SALE OF INVESTMENT IN UNITS

Sales Proceeds on sale of units	455,000,014	-
Cost of units Disposed	(448,985,954)	-
	6,014,060	-

5. NET CHANGE IN UNREALISED (DEPRECIATION) / APRECETION ON FINANCIAL ASSETS HELD AT FAIR VALUE THROUGH PROFIT AND LOSS

Unrealised (Depreciation) / Appreciation of Quoted Debt Securities	2,759,073	4,274,520
Unrealised appreciation of investment Treasury Securities	32,826,892	72,944,844
Unrealised appreciation of investment in Units	2,778,155	-
Unrealised (Depreciation) / Appreciation of Un-Quoted Debt Securities	15,884,580	-
	54,248,699	77,219,365

6. INCOME TAX

After the enactment of the new Inland Revenue Act No. 24 of 2017 effective from 1 April 2018, 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.

NOTES TO THE INTERIM FINANCIAL STATEMENTS

for the six month period ended 30 June 2024

7. CASH AND CASH EQUIVALENTS

	As at 30.06.2024	As at 31.12.2023 (Audited)
	Rs.	Rs.
HNB Money Market Account	6,819,832	6,045,596
HNB Current Account	25,000	25,000
	<u>6,844,832</u>	<u>6,070,596</u>

8. FINANCIAL ASSETS - HELD AT FAIR VALUE THROUGH PROFIT AND LOSS

Quoted Debentures (Note 8.1)	244,800,660	109,502,319
Un-Quoted Debentures (Note 8.2)	256,854,190	100,704,070
Treasury Bills (Note 8.3)	113,496,236	253,593,655
Investment in Treasury Bond (Note 8.4)	1,025,973,616	829,292,191
Investment in Units (Note 8.5)	149,425,130	143,632,928
	<u>1,790,549,831</u>	<u>1,436,725,163</u>

NOTE 8.1 QUOTED DEBENTURES

Cost of Purchases	244,095,890	112,016,476
Unrealised Appreciation of Quoted Debt Securities	704,770	(2,514,157)
Market Value as at End of the Period	<u>244,800,660</u>	<u>109,502,319</u>

NOTE 8.2 UN-QUOTED DEBENTURES

Cost of Purchases	242,182,908	101,457,534
Unrealised Appreciation of Quoted Debt Securities	14,671,281	(753,464)
Market Value as at End of the Period	<u>256,854,190</u>	<u>100,704,070</u>

NOTE 8.3 TREASURY BILLS

Cost of Purchases	113,745,885	249,634,911
Unrealised Appreciation of T Bill	(249,649)	3,958,744
Market Value as at End of the Period	<u>113,496,236</u>	<u>253,593,655</u>

NOTE 8.4 TREASURY BONDS

Cost of Purchases	837,325,076	677,678,945
Unrealised Appreciation of T Bond	188,648,541	151,613,246
Market Value as at End of the Period	<u>1,025,973,616</u>	<u>829,292,191</u>

NOTE 8.5 INVESTMENT IN UNITS

Cost of Purchases	145,707,357	142,693,311
Unrealised Appreciation of Units	3,717,772	939,617
Market Value as at End of the Period	<u>149,425,130</u>	<u>143,632,928</u>

NOTES TO THE INTERIM FINANCIAL STATEMENTS

for the six month period ended 30 June 2024

9. FINANCIAL ASSETS - LOANS AND RECEIVABLES

	As at 30.06.2024	As at 31.12.2023 (Audited)
	Rs.	Rs.
Trust Certificates	113,530,599	106,287,749
	<u>113,530,599</u>	<u>106,287,749</u>

10. OTHER RECEIVABLES

Dividend receivable	-	-
	<u>-</u>	<u>-</u>

11. ACCRUED EXPENSES

Fund Manager Fee Payable	1,661,769	635,869
Trustee Fee and Custodian Fee Payable	609,769	254,729
Audit Fee and Tax Consultation Fee Payable	136,106	365,275
Sundry Payable	276,712	186,301
	<u>2,684,355</u>	<u>1,442,174</u>

12. Related party unit holding as at 30 June 2024 are as follows

5.

Unit holder	Relationship	No. of units held	Value of the Unit held (Rs.)
Senfin Asset Management (Pvt) Ltd	Management Company	616,182.6	11,466,665
Senkadagala Finance PLC	Immediate Parent Company of the Fund	18,985,569.1	353,306,252.5
Mr. Jeevan Sukumaran	Management Company Chief Executive Officer	58,016.8	1,079,646
Mr. Surath Perera	Chief Investment Officer	15,498.7	288,418
Mr. Murugiah Rajendran	Head of Compliance	31,497.9	586,151
Mr. Nilanka Gamaethige	Head of Client Services & Marketng	49.2	916
Mr. Rajith Elapatha	Senior Fund manager	553.0	10,291

Net Assets Value per unit is used to value the units held.

13. Units in issue as at 30 June 2024 is 102,511,066.90

14. There are no material contingencies existing as at the 30 June 2024 that require adjustments to, or disclosure in the Interim Report.

15. There have no material events occurring after the 30 June 2024 that require adjustments or disclosure in the Interim Report.

16. The Fund does not have significant Capital Commitments as at the 30 June 2024.

17. RECONCILIATION BETWEEN THE NET ASSET VALUE AS PER THE INTERIM REPORT AND THE PUBLISHED NET ASSET VALUE

	As at 30.06.2024	As at 31.12.2023 (Audited)
	Rs.	Rs.
Net Asset Value (Net Assets Attributable to Unit Holders) as per the Financial Statements	1,908,240,906	1,547,641,334
Published Net Asset Value	<u>1,908,240,906</u>	<u>1,547,641,334</u>
Number of Units Outstanding	102,511,066.9	92,222,604
Published Net Asset Value per Unit	<u>18.61</u>	<u>16.78</u>

MANAGEMENT COMPANY INFORMATION

Managing Company (Registered Address)

Senfin Asset Management (Pvt) Ltd
267, Galle Road,
Colombo 03.
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T: +94 11 230 1301
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Web: senfinassetmanagement.com

Managing Company (Correspondence Address)

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Email: sfam.info@senfin.com

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Chartered Accountants
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Sri Lanka

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FUND INFORMATION

Registrar

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