

**SENFIN ASSET MANAGEMENT (PVT) LTD**

# **SENFIN DYNAMIC INCOME FUND**

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## **INTERIM REPORT**

**FOR THE SIX MONTH PERIOD ENDED 30TH JUNE 2022**



**Fund Manager**



**Trustee and Custodian**

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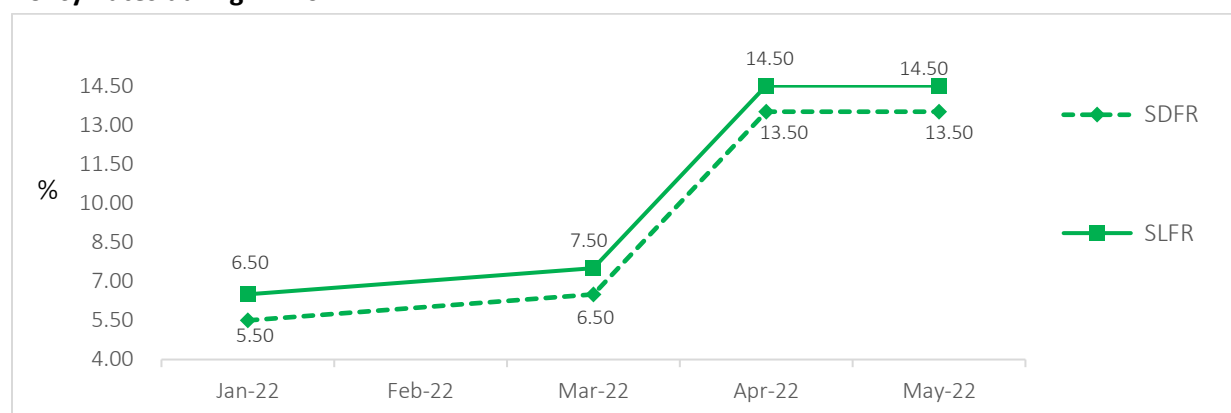
## FUND MANAGER'S REPORT

Dear Investor,

We are pleased to present the Semi-Annual Report of the Senfin Dynamic Income Fund for the six months ending June 2022.

During the year the country faced severe economic and social challenges mainly owing to foreign exchange shortages which lead to deteriorating macroeconomic fundamentals. Rising global commodity and energy prices, shortages in supply of essential food items and medication, escalating fuel prices and prolonged power cuts added mounting pressure on the local economy. The Monetary Board of the Central Bank of Sri Lanka responded by increasing policy rates on three occasions in a bid to mitigate spiking inflation, stabilise the plummeting exchange rate as well as to correct inconsistencies in the overall economy. Notably, policy rates were increased by 700 basis points in April 2022, recording the single highest rate hike in the country's history. The Standing Deposit Facility Rate (SDFR) and the Standing Lending Facility Rate (SLFR) which stood at 5.00% & 6.00% respectively at the start of the year, was elevated to 13.50% and 14.50% respectively by the end of the 1<sup>st</sup> half of 2022<sup>1</sup>.

### Policy Rates during 1H 2022



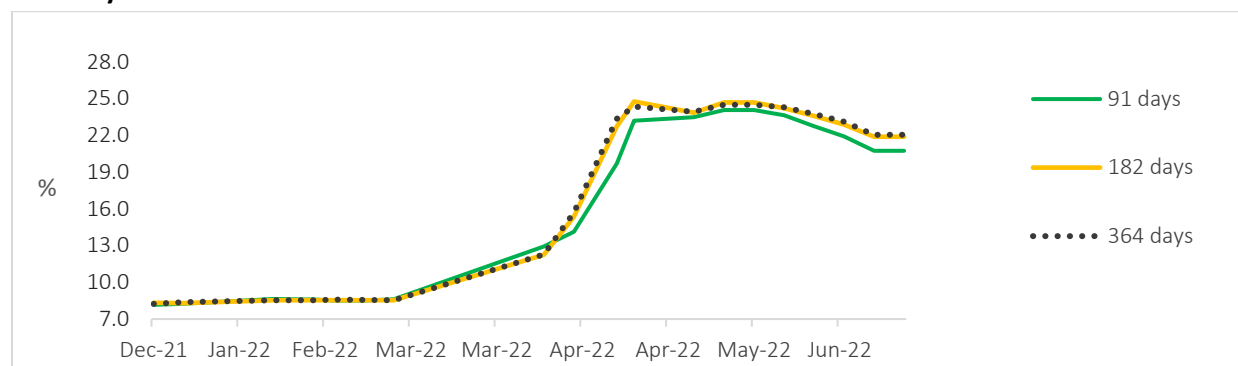
Source: Central Bank of Sri Lanka

In line with the aforesaid changes to the Monetary Policy, Government Security yields as well as market interest rates on deposits offered by commercial banks and other non-bank financial institutions too followed a similar trajectory. Investor demand however, flowed into Treasury Bills and Treasury Bonds as yields reached historically high levels during the 1<sup>st</sup> half of the year. The benchmark 03, 06 and 12-month yields increased from 8.16%, 8.33% and 8.24% respectively as at the end of December 2021 to 20.73%, 21.90% and 22.04% respectively as at the end of June 2022<sup>2</sup>. Similarly yields on long term government bonds too increased as rates exceeded the 20.00% mark across multiple maturities.

<sup>1</sup>Central Bank of Sri Lanka, Monetary Policy Review

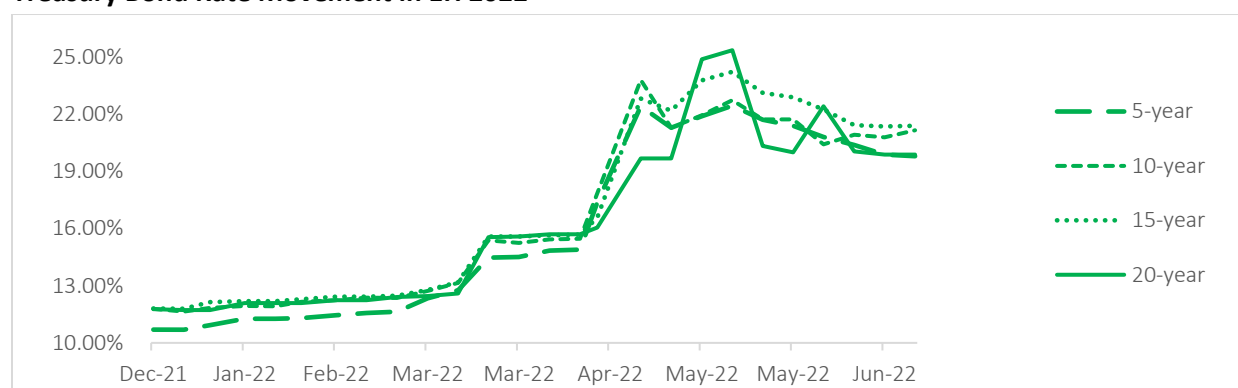
<sup>2</sup> Central Bank of Sri Lanka, Rates on Government Securities

### Treasury Bill Rate Movement in 1 H 2022



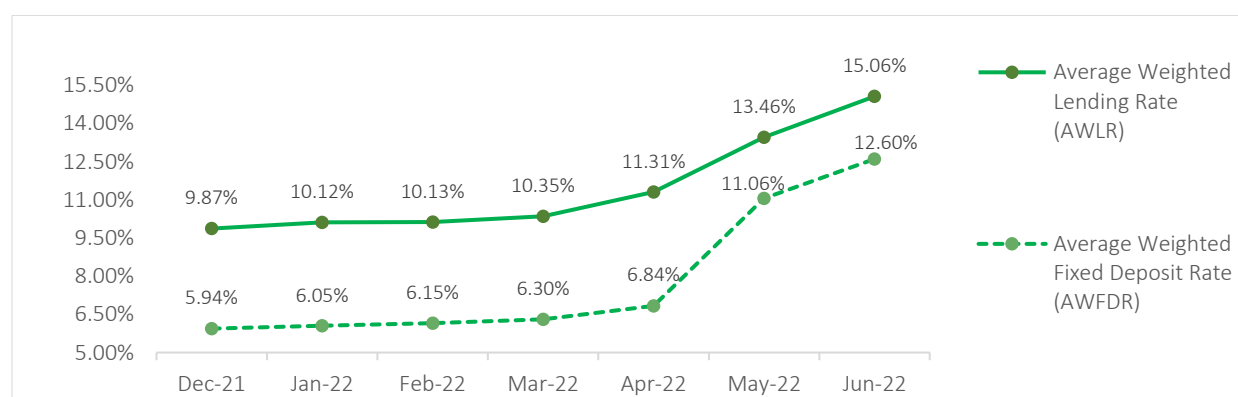
Source: Central Bank of Sri Lanka

### Treasury Bond Rate Movement in 1 H 2022



Source: Central Bank of Sri Lanka

### Movement of Average Weighted Fixed Deposit Rate and Average Weighted Lending Rates of Commercial Banks<sup>3</sup>

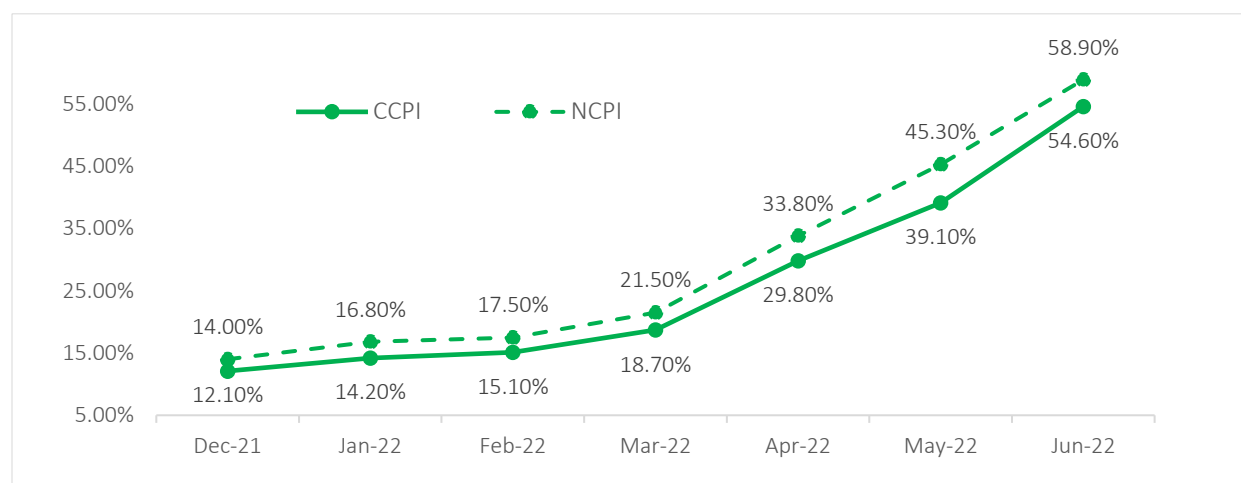


Source: Central Bank of Sri Lanka

<sup>3</sup> Central Bank of Sri Lanka, Commercial Bank Lending and Deposit Rates

Inflation measured by the point-to-point change in the Colombo Consumer Price Index (CCPI) significantly increased from 12.1% as at the end of Dec 2021 to 54.6% as at the end of Jun 2022. Similarly, Inflation measured by the point-to-point change in the National Consumer Price Index (NCPI) increased from 14.0% to 58.9% during the same period<sup>4</sup>. Inflation was mainly driven by soaring food inflation while the significant rise in fuel prices, gas prices etc. had a major impact on the non-food inflation.

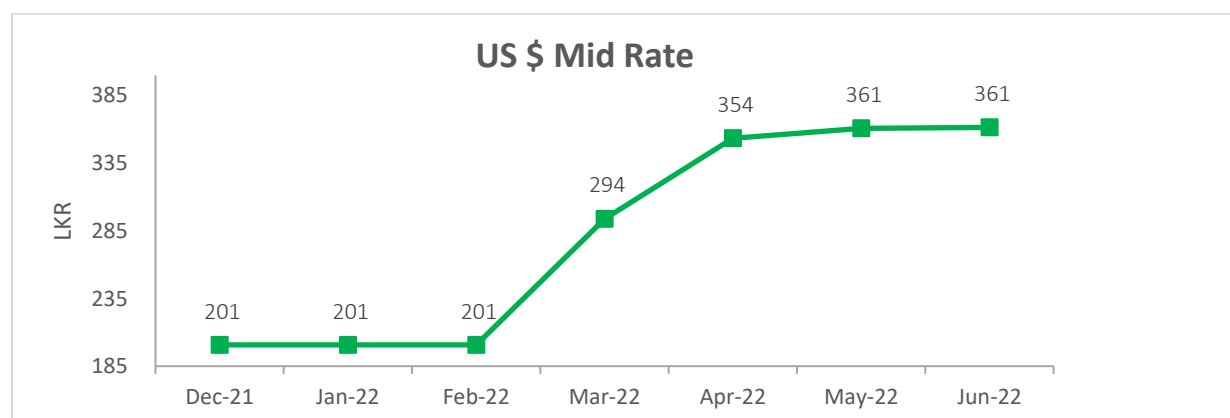
#### Movement in the CCPI and NCPI (Base: 2013=100)



Source: Department of Census & Statistics

Subsequent to several months of maintaining the exchange rate around Rs. 203 mark, the Rupee was officially floated by CBSL during March 2022. Following that, amidst mounting pressures on the currency, the Sri Lankan Rupee depreciated by a mammoth 44.46% during 1H2022<sup>5</sup>.

#### Movement in Exchange Rate (USD/LKR)



Source: Central Bank of Sri Lanka

<sup>4</sup> Statistics Department

<sup>5</sup> Central Bank of Sri Lanka, End of Month Exchange Rates

## Performance Review of the Fund

### Fund Performance as at 30<sup>th</sup> June 2022<sup>6</sup>

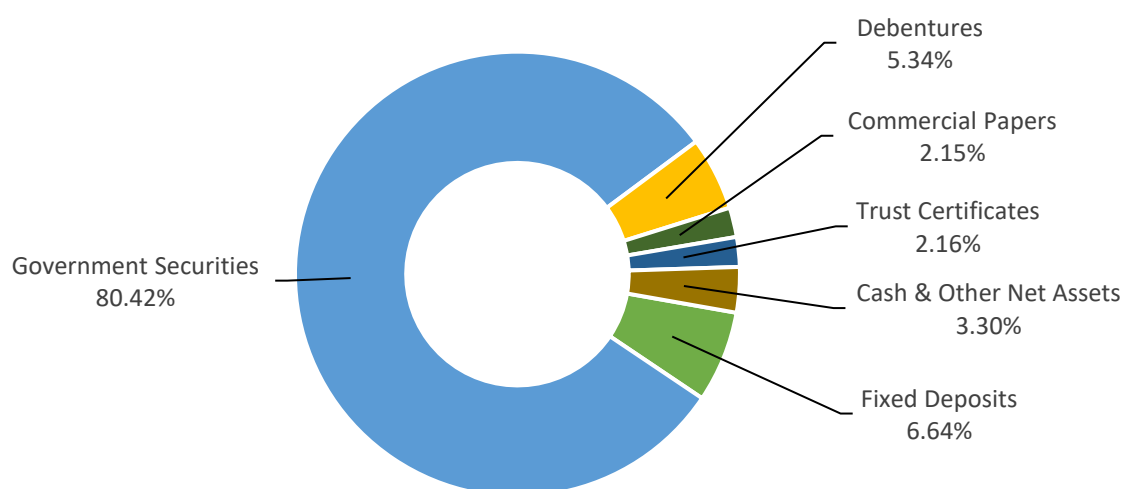
Period	From Inception (10 Feb 2021)	Year to Date	1 month
Non-Annualized Fund Return (NAV to NAV)	9.48%	2.40%	0.62%
Non-Annualized Benchmark Return (NDBIB-CRISIL 5 Year T-Bond Index)	-27.07%	-23.06%	-0.89%

Source: Senfin Asset Management (Pvt) Ltd

Note: Performance data is net of management fees

### Asset Allocation as a percentage of Total Net Assets as at 30<sup>th</sup> June 2022 (Net of payable)

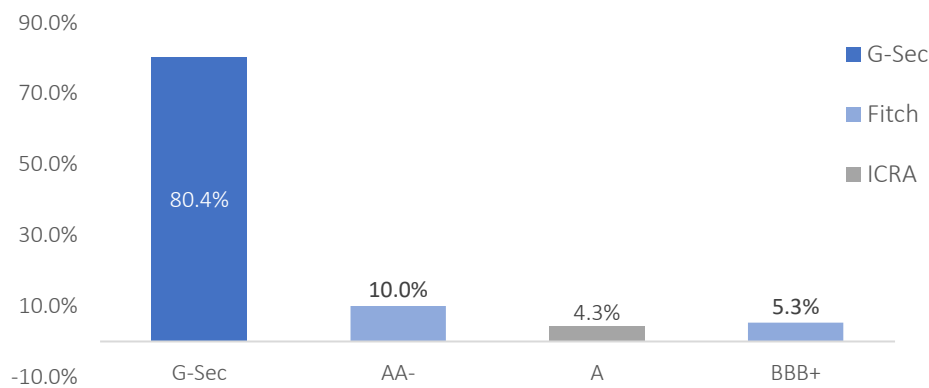
As at end of the 1<sup>st</sup> half of 2022, the fund had reduced exposures to financial institutions and had increased exposure to government securities, mainly treasury bills and treasury bonds in a bid to enhance overall fund returns as well as the asset quality of the fund.



Source: Senfin Asset Management (Pvt) Ltd

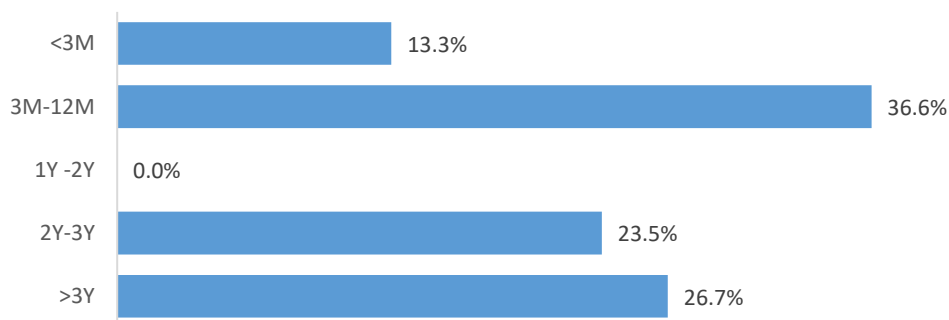
<sup>6</sup> Senfin Asset Management (Pvt) Ltd

### Credit Profile of Fund as at 30<sup>th</sup> June 2022



Source: Senfin Asset Management (Pvt) Ltd

### Maturity Profile of the Fund as at 30<sup>th</sup> June 2022



Source: Senfin Asset Management (Pvt) Ltd

We expect the current situation to prolong during the remainder of the year as the country continues to face dollar shortages, depleted fuel supplies, political uncertainty, rising inflation and tougher fiscal reforms. With an IMF bailout continuing to remain at its initial discussion stages we believe that country will continue face hardship in the short to medium time horizon. As such, until a formal agreement is reached with the IMF, we are of the view that fixed income markets will be volatile and that interest rates will continue remain high for the remainder of the year. Similarly, the fund will seek to maximize returns under such conditions by maintaining exposures to government securities.

Sincerely,  
**Investment Team**

## STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

for the six month period ended 30 June 2022

	Notes	6 month ended 30.06.2022 Rs.	From 11.02.2021 to 30.06.2021 Rs.
<b>INVESTMENT INCOME</b>			
Interest Income	3	34,392,778	5,979,698
Realized Gain on Sale of Government Securities		-	-
Unrealized (Loss) /Gain on Financial Assets Held at fair value through profit or loss	4	(18,092,517)	115,172
<b>TOTAL INVESTMENT INCOME</b>		<b>16,300,261</b>	<b>6,094,870</b>
<b>OPERATING EXPENSES</b>			
Management Fees		(1,280,403)	(394,457)
Trustee and Custodian Fees		(548,033)	(227,222)
Audit Fees		(48,841)	(49,000)
Tax Consultation Fees		(35,913)	(35,567)
Other Expenses		(3,711)	
		<b>(1,916,901)</b>	<b>(706,246)</b>
<b>NET PROFIT BEFORE TAX</b>		<b>14,383,360</b>	<b>5,388,624</b>
Income Tax Expense	6	-	-
<b>NET PROFIT FOR THE PERIOD</b>		<b>14,383,360</b>	<b>5,388,624</b>
<b>INCREASE IN NET ASSETS ATTRIBUTABLE TO UNIT HOLDERS</b>		<b>14,383,360</b>	<b>5,388,624</b>



## STATEMENT OF FINANCIAL POSITION

As at 30 June 2022

		As at 30.06.2022		As at 31.12.2021	
	Notes	Rs.	% NAV	Rs.	% NAV
ASSETS				(Audited)	
Cash and Cash Equivalents	7	26,135,051	3.4%	656,929	0.2%
Financial Assets - Held at Fair Value Through Profit and Loss	8	603,688,364	78.0%	74,394,333	27.1%
Financial Assets - Loans and Receivables	9	144,933,586	18.7%	200,312,814	0.73
Other Receivable	10	-	0.0%	-	-
		<b>774,757,001</b>	<b>100.1%</b>	<b>275,364,076</b>	<b>100.1%</b>
LIABILITIES					
Accrued Expenses	11	620,526	0.1%	365,230	0.1%
Total Liabilities		<b>620,526</b>	<b>0.1%</b>	<b>365,230</b>	<b>0.1%</b>
NET ASSET		<b>774,136,475</b>	<b>100.0%</b>	<b>274,998,846</b>	<b>100.0%</b>
UNIT HOLDERS' FUNDS					
Net Assets Attributable to Unit Holders	17	<b>774,136,475</b>		<b>274,998,846</b>	

Signed on behalf of the Management Company



Director  
Management Company



Director  
Management Company

29/09/2022

Date

## STATEMENT OF MOVEMENT IN UNITHOLDERS' FUND

for the six month period ended 30 June 2022

	6 month ended 30.06.2022 Rs.	From 11.02.2021 to 30.06.2021 Rs.
<b>Unit Holders' Fund as at the Beginning of the Period</b>	274,999,619	-
Total Comprehensive Income for the Period	14,383,360	5,388,624
Received on Creation of Units	507,116,004	228,587,001
Paid on Redemption of Units	(22,362,508)	-
Net Decrease due to Unit holders' Transactions	484,753,496	228,587,001
<b>Unit Holders' Fund as at the End of the Period</b>	<b>774,136,475</b>	<b>233,975,625</b>
	-	-

## CASH FLOW STATEMENT

for the six month period ended 30 June 2022

	6 month ended 30.06.2022 Rs.	From 11.02.2021 to 30.06.2021 Rs.
<b>Cash Flows from Operating Activities</b>		
Interest Received	20,106,511	2,705,297
Placement fee Income	115,898	-
Management Fees and Trustee Fees Paid	(1,552,894)	(473,436)
Audit Fees Paid	(105,000)	-
Other Expenses Paid	(3,711)	(2,899)
Net Investment in Commercial Papers	43,000,000	(46,000,000)
Net Investment in Trust Certificates	15,000,000	(30,000,000)
Net Investment in Quoted Debenture	-	(52,880,355)
Net Investment in Reverse Repurchase Agreements	(25,000,000)	(30,027,115)
Net Investment in Fixed deposits	18,604,853	(68,195,000)
Net Investment in Treasury Bills	(195,075,737)	-
Net Investment in Treasury Bill/Bond and Repurchase Agreements	(334,365,291)	-
<b>Net Cash Flow (Used in) / Generated from Operating Activities</b>	<b>(459,275,371)</b>	<b>(224,873,508)</b>
<b>Cash Flows from Financing Activities</b>		
Cash Received on Creation of Units	507,116,001	228,587,001
Cash Paid on Redemption of Units	(22,362,508)	-
<b>Net Cash Generated from / (Used in) Financing Activities</b>	<b>484,753,493</b>	<b>228,587,001</b>
Net Increase / (Decrease) in Cash and Cash Equivalents	25,478,122	3,713,493
Cash and Cash Equivalents at the Beginning of the Period	656,929	-
<b>Cash and Cash Equivalents at the End of the Period</b>	<b>26,135,051</b>	<b>3,713,493</b>

Note 07

## NOTES TO THE INTERIM FINANCIAL STATEMENTS

for the six month period ended 30 June 2022

1. All figures for the six month period ended 30 June 2022 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 2022.

### 3. INTEREST INCOME

	6 month ended 30.06.2022 Rs.	From 11.02.2021 to 30.06.2021 Rs.
Interest on Bank Deposits	4,488,602	1,471,474
Interest on Treasury Securities	23,372,070	803,695
Interest on Quoted Debentures	3,068,205	2,109,862
Commercial Papers	1,436,824	876,781
Trust Certificate	1,259,481	553,446
Interest on Bank Money Market Bank account	736,733	109,603
Placement fee income	30,863	54,837
	<b>34,392,778</b>	<b>5,979,698</b>

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

Unrealised (Depreciation) / Appreciation of Quoted Debt Securities	(12,979,911)	(115,172)
Unrealised appreciation of investment Treasury Securities	(5,112,606)	-
	<b>(18,092,517)</b>	<b>(115,172)</b>

### 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 2022

### 7. CASH AND CASH EQUIVALENTS

	As at 30.06.2022	As at 31.12.2021 (Audited)
	Rs.	Rs.
HNB Money Market Account	26,110,051	631,929
HNB Current Account	25,000	25,000
	<b>26,135,051</b>	<b>656,929</b>

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

Quoted Debentures (Note 8.1)	41,317,811	54,475,677
Treasury Bills (Note 8.2)	217,608,144	19,918,656
Investment in Treasury Bond	344,762,409	-
	<b>603,688,364</b>	<b>74,394,333</b>

#### NOTE 8.1 QUOTED DEBENTURES

Cost of Purchases	53,109,131	53,287,859
Unrealised Appreciation of Quoted Debt Securities	(11,791,320)	1,187,818
Market Value as at End of the Period	<b>41,317,811</b>	<b>54,475,677</b>

#### NOTE 8.2 TREASURY BILLS

Cost of Purchases	214,983,220	19,907,483
Unrealised Appreciation of T Bill	2,624,924	11,173
Market Value as at End of the Period	<b>217,608,144</b>	<b>19,918,656</b>

#### NOTE 8.3 TREASURY BONDS

Cost of Purchases	352,488,766	-
Unrealised Appreciation of T Bond	(7,726,357)	-
Market Value as at End of the Period	<b>344,762,409</b>	-

## NOTES TO THE INTERIM FINANCIAL STATEMENTS

for the six month period ended 30 June 2022

### 9. FINANCIAL ASSETS - LOANS AND RECEIVABLES

	As at 30.06.2022	As at 31.12.2021 (Audited)
	Rs.	Rs.
Investment in Fixed Deposits	51,409,589	71,980,565
Trust Certificates	16,739,102	31,864,634
Reverse Repurchase Agreements	60,175,962	35,579,821
Investment in Commercial Papers	16,608,933	60,887,794
	<b>144,933,586</b>	<b>200,312,814</b>

### 10. OTHER RECEIVABLES

Dividend receivable	-	-
	<b>-</b>	<b>-</b>

### 11. ACCRUED EXPENSES

Fund Manager Fee Payable	321,615	116,476
Trustee Fee and Custodian Fee Payable	130,155	59,752
Audit Fee and Tax Consultation Fee Payable	168,756	189,002
	<b>620,526</b>	<b>365,230</b>

### 12. Related party unit holding as at 30 June 2022 are as follows

Unit holder	Relationship	No. of units held	Value of the Unit held (Rs.)
Senfin Asset Management (Pvt) Ltd	Management Company	500,000.0	5,473,850
Ms. Ineka Dunuwille	Chief Executive Officer	2,000.0	21,895
Mr. Surath Perera	Fund Manager	500.0	5,474
Mr. Ravinath Weerakoon	Fund Manager	9,428.8	103,224
Net Assets Value per unit is used to value the units held.			

### 13. Units in issue as at 30 June 2022 is 70,712,528.5

### 14. There are no material contingencies existing as at the 30 June 2022 that require adjustments to, or disclosure in the Interim Report.

### 15. There have no material events occurring after the 30 June 2022 that require adjustments or disclosure in the Interim Report.

### 16. The Fund does not have significant Capital Commitments as at the 30 June 2022.

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

	As at 30.06.2022	As at 31.12.2021 (Audited)
	Rs.	Rs.
Net Asset Value (Net Assets Attributable to Unit Holders) as per the Financial Statements	774,136,475	274,998,846
Published Net Asset Value	<b>774,136,475</b>	<b>274,998,846</b>
Number of Units Outstanding	70,712,528.5	25,722,417
Published Net Asset Value per Unit	<b>10.94</b>	<b>10.69</b>

## MANAGEMENT COMPANY INFORMATION

### Managing Company (Registered Address)

Senfin Asset Management (Pvt) Ltd  
267, Galle Road,  
Colombo 03.  
Sri Lanka  
T: +94 11 230 1301  
F: +94 11 230 1937  
Web: [senfinassetmanagement.com](http://senfinassetmanagement.com)

### Managing Company (Correspondence Address)

Senfin Asset Management (Pvt) Ltd  
3<sup>rd</sup> Floor, No. 180,  
Buddhaloka Mawatha, Colombo 04.  
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T: +94 11 210 2000  
F: +94 11 230 1937  
Web: [senfinassetmanagement.com](http://senfinassetmanagement.com)  
Email: [sfam.info@senfin.com](mailto:sfam.info@senfin.com)

### Bankers

Commercial Bank PLC,  
No.285, Galle Road,  
Colombo 03  
Sri Lanka

### Auditors

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

### Lawyers

Nithya Partners  
Attorneys-at-Law  
No. 97A, Galle Road  
Colombo 03  
T: +94 11 4712625  
F: +94 11 2335908  
Web: <http://www.nithyapartners.com>

## FUND INFORMATION

<b>Registrar</b>	<b>Senfin Asset Management (Pvt) Ltd</b> <b>267, Galle Road,</b> <b>Colombo 03.</b> <b>Sri Lanka</b> <b>T: +94 11 230 1301</b> <b>F: +94 11 230 1937</b> <b>Web: senfinassetmanagement.com</b>
<b>Trustee and Custodian</b>	<b>Hatton National Bank PLC</b> <b>HNB Towers</b> <b>No 479, T B Jayah Mawatha</b> <b>P O Box 837</b> <b>Colombo 10</b> <b>Sri Lanka</b> <b>T: +94 11 2664664</b> <b>T: +94 11 4764764</b> <b>F: +94 11 2662832</b> <b>Web: www.hnb.lk</b>
<b>Auditors</b>	<b>Kreston MNS &amp; Co</b> <b>Chartered Accountants,</b> <b>Level 1 &amp; 2, Advantage Building,</b> <b>74A, Darmapala Mw,</b> <b>Colombo-07</b> <b>T: +94 11 232 3571</b> <b>F: +94 11 243 3388</b>
<b>Lawyers</b>	<b>Nithya Partners</b> <b>Attorneys-at-Law</b> <b>No. 97A, Galle Road</b> <b>Colombo 03</b> <b>T: +94 11 4712625</b> <b>F: +94 11 2335908</b> <b>Web: <a href="http://www.nithyapartners.com">http://www.nithyapartners.com</a></b>



# Senfin Asset Management (Pvt) Ltd

(A fully owned subsidiary of Senkadagala Finance PLC )

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F: +94 11 2314831

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Email: [Sfam.info@senfin.com](mailto:Sfam.info@senfin.com)

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