

SENFIN ASSET MANAGEMENT (PVT) LTD

SENFIN DYNAMIC INCOME FUND

INTERIM REPORT

FOR THE SIX MONTH PERIOD ENDED 30TH JUNE 2023



Fund Manager



Trustee and Custodian

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FUND MANAGER'S REPORT

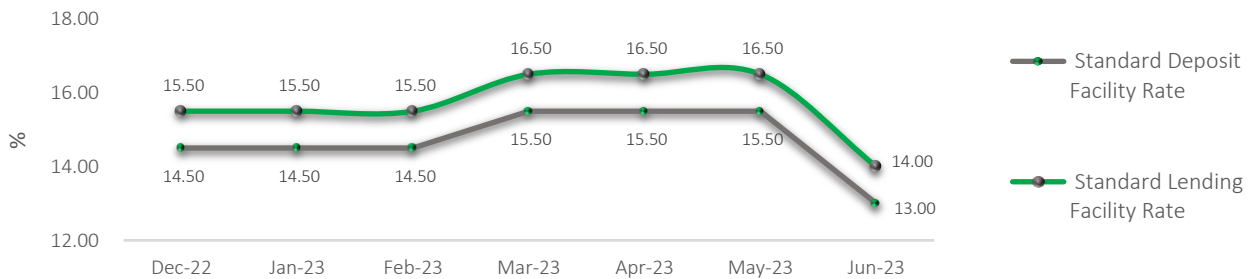
Dear Investor,

We are pleased to present the semi-annual report of Senfin Dynamic Income Fund for the six months ending June 2023.

During 1H2023, the Monetary Board of the Central Bank of Sri Lanka (CBSL) further increased policy rates by 100 basis points prior to IMF Board Level Agreement in March 2023. However, as the decline in inflation is faster than anticipated and with the intention of providing impetus to the economic growth to rebound, CBSL relaxed their monetary policy stance by reducing policy rates by 250 basis points during its June 2023 Monetary Policy Review. Consequently, the Standing Deposit Facility Rate (SDFR) stood at 13.00% as at 30th Jun 2023 compared to 14.50% as at 31st Dec 2022 and the Standing Lending Facility Rate (SLFR) stood at 14.00% compared to 15.50% as at 31st Dec 2022. However, the Statutory Reserve Ratio was maintained at 4.00% throughout the subject period.¹

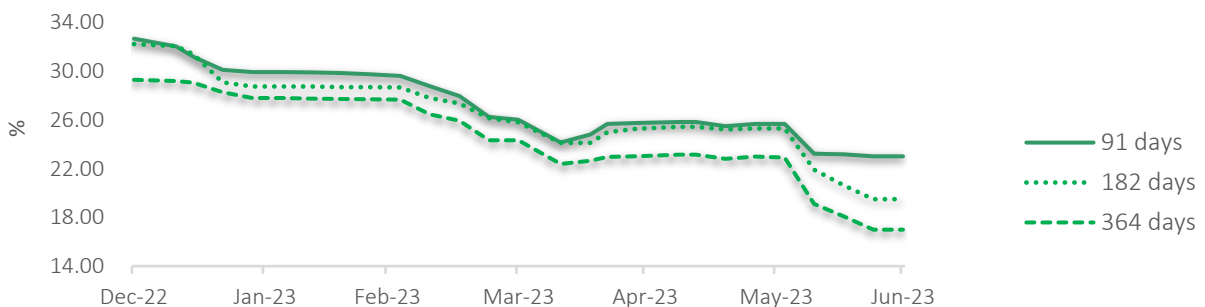
Despite the policy rate increases in March 2023, the six-months under review saw Treasury bill yields gradually easing throughout from the highs of 2022. The benchmark 03, 06 and 12-month yields decreased from 32.64%, 32.20% and 29.27% respectively as at the end of December 2022 to 23.00%, 19.49% and 16.99% respectively as at the end of June 2023². However, yields on long term government bonds remained volatile across the medium to long term maturities ahead of the government's announcement on the debt restructure program.

Movement in Monetary policy



Source: Central Bank of Sri Lanka

Treasury Bill Rate Movement

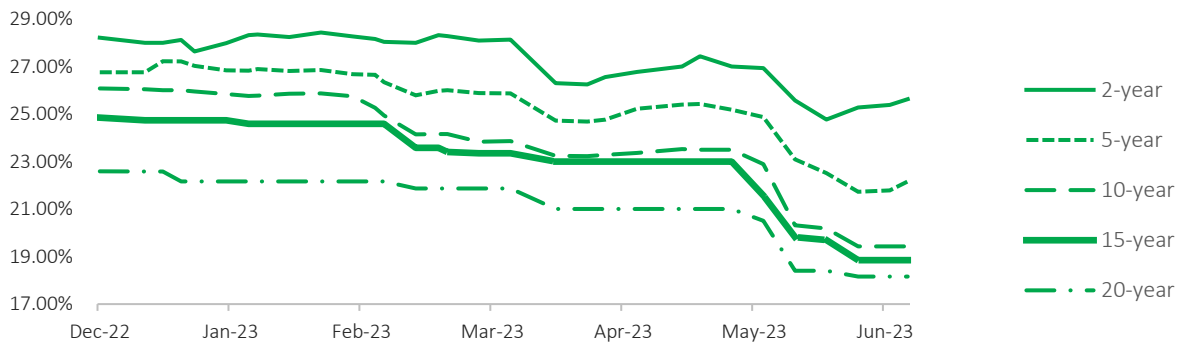


Source: Central Bank of Sri Lanka

¹ Central Bank of Sri Lanka, Monetary Policy Review

² Central Bank of Sri Lanka, Rates on Government Securities

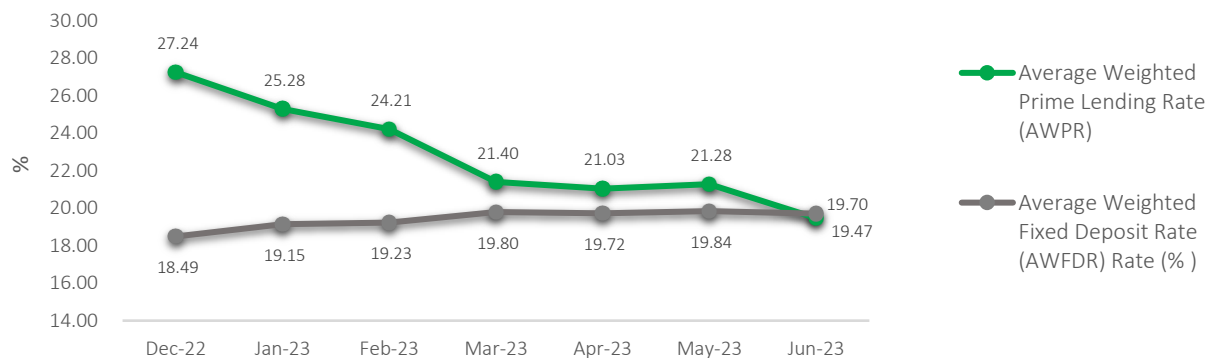
Treasury Bond Rate Movement



Source: Central Bank of Sri Lanka

Following the policy rates cuts, the Average Weighted Prime Lending Rate (AWPR) adjusted downwards reaching 19.47% at the ending of the June 2023 compared to its peak of 29.67% in November 2022.

Movement of Average Weighted Fixed Deposit Rate and Average Weighted Lending Rates of Commercial Banks³(% p.a.) at the month end



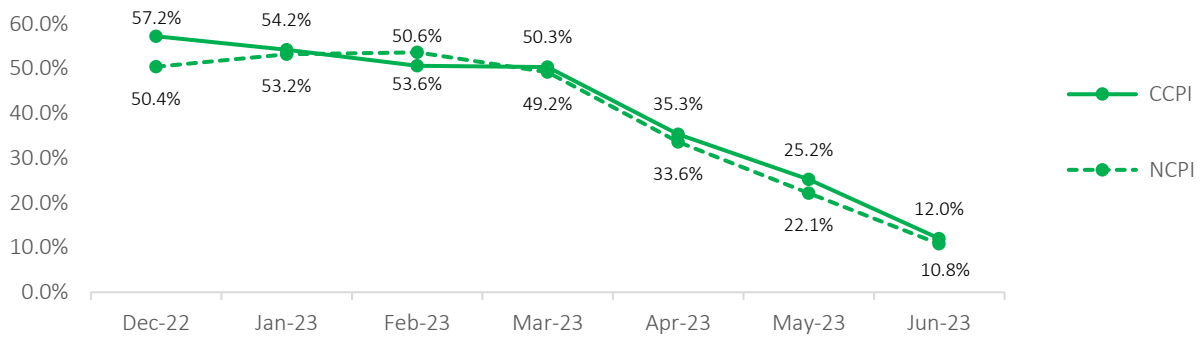
Source: Central Bank of Sri Lanka

The base year of inflation was changed to 2021 by the Statistics Department during Feb 2023. Inflation measured by the year-on-year change in the Colombo Consumer Price Index (CCPI) significantly eased to 12.0% as at the end of Jun 2023 (Base year 2021) from high as 57.2% as at the end of Dec 2022 (Base year 2013). Similarly, Inflation measured by the year-on-year change in the National Consumer Price Index (NCPI) too decreased to 10.8% (Base year 2021) from high as 50.4% (Base year 2013) during the same period⁴. 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 as a whole.

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

⁴ Statistics Department

Movement in the CCPI and NCPI

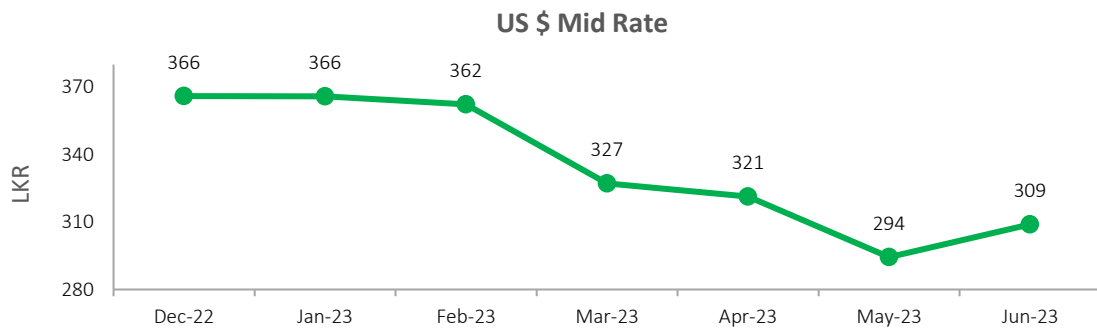


* CCPI Dec 2022, CCPI Jan 2023 & NCPI Dec 2022 are based on 2013=100 Base year

Source: Department of Census & Statistics

The exchange rate witnessed a gradual appreciation during 1H2023, with the assistance of improved worker remittances, improved tourism inflows and the overall improvement in sentiment due to IMF Board Level Approval and the receipt of its first tranche. However once some of the import restrictions were released by the government, a slight depreciation of the LKR was observed.

Movement in the USD/LKR Rate



Source: Central Bank of Sri Lanka

Fund Performance

The Fund managed to take advantage of the interest rates spikes in the country and increased allocations to Treasury bonds and bills. Despite the challenging market conditions faced in the country, we are delighted to report that the fund had posted a positive year-to-date non annualized return of 21.08% as at 30th June 2023 and however, the fund's performance fell short of the benchmark return of 23.02%.

Fund Performance as at 30th June 2023

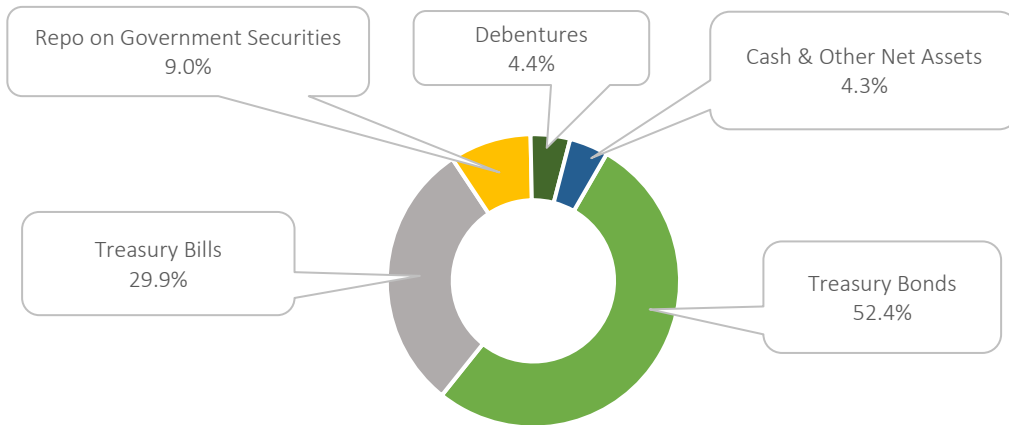
Period	From Inception (10 Feb 2021)	Year to Date	1-month
Fund Return	14.14%	21.08%	5.67%
Benchmark Return	-4.41%	23.02%	4.91%

Source: Senfin Asset Management (Pvt) Ltd

Note:

- Benchmark NDBIB-CRISIL 5 Year T-Bond Index
- Performance data is net of management fees and taxes. All returns are non-annualized except since inception.

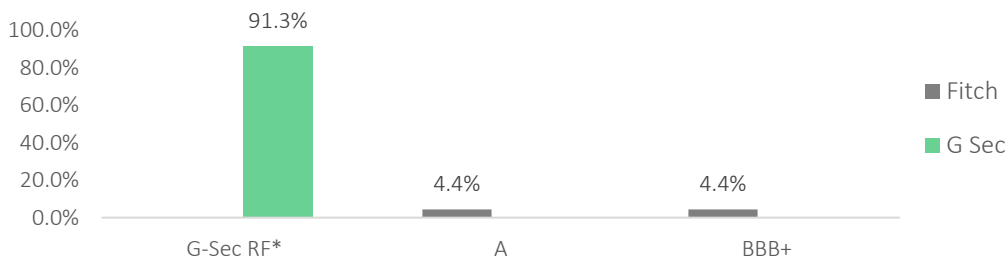
Asset Allocation as a percentage of Net Asset Value as at 30th June 2023



Source: Senfin Asset Management (Pvt) Ltd

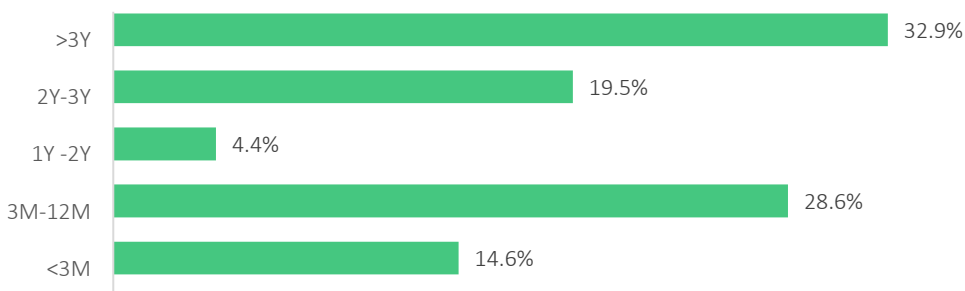
At the end of the reporting period, the fund had invested 93% of its total assets in low-risk Treasury Securities, such as Treasury bills and Repo investments. The remaining assets were invested in securities that were rated above investment grade, as shown in the credit profile chart below.

Credit Profile of Fund as at 30th June 2023



Source: Senfin Asset Management (Pvt) Ltd

Maturity Profile of the Fund as at 30th June 2023



Source: Senfin Asset Management (Pvt) Ltd

Treasury bill rates dropped to lower levels at the end of the period, marking the lowest yields observed since June 2022. Yields on long-term treasury bonds in the secondary market continued to edge higher, as investor uncertainty and skepticism drove yields to remain volatile ahead of the government's announcement on the debt restructure program. The Government announced its Domestic Debt Optimization (DDO) plan during end June, a plan which is considered positive as most private institutional and individual bond holders were excluded from the proposed DDO programme. 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 2023

	Notes	6 month ended 30.06.2023 Rs.	6 month ended 30.06.2022 Rs.
INVESTMENT INCOME			
Interest Income	3	99,232,066	34,392,778
Realized Gain on Sale of Government Securities		(1,846,214)	-
Unrealized (Loss) /Gain on Financial Assets Held at fair value through profit or loss	4	77,219,365	(18,092,517)
TOTAL INVESTMENT INCOME		174,605,216	16,300,261
OPERATING EXPENSES			
Management Fees		(2,199,639)	(1,280,403)
Trustee and Custodian Fees		(918,708)	(548,033)
Audit Fees		(88,271)	(48,841)
Tax Consultation Fees		(41,748)	(35,913)
WHT Expenses		(1,160,649)	
Other Expenses		(53,632)	(3,711)
		<u>(4,462,647)</u>	<u>(1,916,901)</u>
NET PROFIT BEFORE TAX		170,142,570	14,383,360
Income Tax Expense	6	-	-
NET PROFIT FOR THE PERIOD		170,142,570	14,383,360
INCREASE IN NET ASSETS ATTRIBUTABLE TO UNIT HOLDERS		170,142,570	14,383,360

STATEMENT OF FINANCIAL POSITION

As at 30 June 2023

	Notes	As at 30.06.2023		As at 31.12.2022 (Audited)	
		Rs.	% NAV	Rs.	% NAV
ASSETS					
Cash and Cash Equivalents	7	43,875,439	4.4%	26,555,059	3.3%
Financial Assets - Held at Fair Value Through Profit and	8	871,503,515	86.7%	658,127,883	82.2%
Financial Assets - Loans and Receivables	9	90,698,276	9.0%	116,484,295	0.15
Other Receivable	10	-	0.0%	-	-
		1,006,077,230	100.1%	801,167,237	100.1%
LIABILITIES					
Accrued Expenses	11	829,765	0.1%	775,581	0.1%
Total Liabilities		829,765	0.1%	775,581	0.1%
NET ASSET					
		1,005,247,465	100.0%	800,391,656	100.0%
UNIT HOLDERS' FUNDS					
Net Assets Attributable to Unit Holders	17	1,005,247,465		800,391,656	

Signed on behalf of the Management Company


 Director
 Management Company


 Director
 Management Company

25/09/2023
 Date

STATEMENT OF MOVEMENT IN UNITHOLDERS' FUND

for the six month period ended 30 June 2023

	6 month ended 30.06.2023 Rs.	6 month ended 30.06.2022 Rs.
Unit Holders' Fund as at the Beginning of the Period	800,413,553	274,999,619
Total Comprehensive Income for the Period	170,142,570	14,383,360
Received on Creation of Units	81,964,424	507,116,004
Paid on Redemption of Units	(47,273,081)	(22,362,508)
Net Decrease due to Unit holders' Transactions	34,691,342	484,753,496
Unit Holders' Fund as at the End of the Period	1,005,247,465	774,136,475
	-	-

CASH FLOW STATEMENT

for the six month period ended 30 June 2023

	6 month ended 30.06.2023 Rs.	6 month ended 30.06.2022 Rs.
Cash Flows from Operating Activities		
Interest Received	121,910,301	20,106,511
Placement fee Income	-	115,898
Management Fees and Trustee Fees Paid	(3,029,835)	(1,552,894)
Audit Fees Paid	(142,449)	(105,000)
Other Expenses Paid	(53,632)	(3,711)
Net Investment in Commercial Papers	-	43,000,000
Net Investment in Trust Certificates	15,000,000	15,000,000
Net Investment in Quoted Debenture	-	-
Net Investment in Reverse Repurchase Agreements	(75,256,859)	(25,000,000)
Net Investment in Fixed deposits	75,000,000	18,604,853
Net Investment in Treasury Bills	(60,677,606)	(195,075,737)
Net Investment in Treasury Bill/Bond and Repurchase Agreements	(90,120,882)	(334,365,291)
Net Cash Flow (Used in) / Generated from Operating Activities	(17,370,962)	(459,275,371)
Cash Flows from Financing Activities		
Cash Received on Creation of Units	81,964,424	507,116,001
Cash Paid on Redemption of Units	(47,273,081)	(22,362,508)
Net Cash Generated from / (Used in) Financing Activities	34,691,342	484,753,493
Net Increase / (Decrease) in Cash and Cash Equivalents	17,320,380	25,478,122
Cash and Cash Equivalents at the Beginning of the Period	26,555,059	656,929
Cash and Cash Equivalents at the End of the Period	43,875,439	26,135,051
Note 07	43,875,439	26,135,051

NOTES TO THE INTERIM FINANCIAL STATEMENTS

for the six month period ended 30 June 2023

1. All figures for the six month period ended 30 June 2023 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 30.06.2023 Rs.	6 month ended 30.06.2022 Rs.
Interest on Bank Deposits	5,345,891	4,488,602
Interest on Treasury Securities	87,811,595	23,372,070
Interest on Quoted Debentures	3,050,462	3,068,205
Commercial Papers	-	1,436,824
Trust Certificate	341,811	1,259,481
Interest on Bank Money Market Bank account	2,682,306	736,733
Placement fee income	-	30,863
	<u>99,232,066</u>	<u>34,392,778</u>

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

Unrealised (Depreciation) / Appreciation of Quoted Debt Securities	4,274,520	(12,979,911)
Unrealised appreciation of investment Treasury Securities	72,944,844	(5,112,606)
	<u>77,219,365</u>	<u>(18,092,517)</u>

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 2023

7. CASH AND CASH EQUIVALENTS

	As at 30.06.2023	As at 31.12.2022 (Audited)
	Rs.	Rs.
HNB Money Market Account	43,850,439	26,530,059
HNB Current Account	25,000	25,000
	<u>43,875,439</u>	<u>26,555,059</u>

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

Quoted Debentures (Note 8.1)	43,879,055	39,909,236
Treasury Bills (Note 8.2)	285,099,190	243,964,476
Investment in Treasury Bond (Note 8.3)	542,525,270	374,254,171
	<u>871,503,515</u>	<u>658,127,883</u>

NOTE 8.1 QUOTED DEBENTURES

Cost of Purchases	52,693,525	52,998,999
Unrealised Appreciation of Quoted Debt Securities	(8,814,470)	(13,089,763)
Market Value as at End of the Period	<u>43,879,055</u>	<u>39,909,236</u>

NOTE 8.2 TREASURY BILLS

Cost of Purchases	277,942,984	249,829,965
Unrealised Appreciation of T Bill	7,156,205	(5,865,489)
Market Value as at End of the Period	<u>285,099,190</u>	<u>243,964,476</u>

NOTE 8.3 TREASURY BONDS

Cost of Purchases	539,126,157	430,778,203
Unrealised Appreciation of T Bond	3,399,113	(56,524,032)
Market Value as at End of the Period	<u>542,525,270</u>	<u>374,254,171</u>

NOTES TO THE INTERIM FINANCIAL STATEMENTS

for the six month period ended 30 June 2023

9. FINANCIAL ASSETS - LOANS AND RECEIVABLES

	As at 30.06.2023	As at 31.12.2022 (Audited)
	Rs.	Rs.
Investment in Fixed Deposits	-	83,735,615
Trust Certificates	-	17,430,236
Reverse Repurchase Agreements	90,698,276	15,318,444
Investment in Commercial Papers	-	-
	<u>90,698,276</u>	<u>116,484,295</u>

10. OTHER RECEIVABLES

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

11. ACCRUED EXPENSES

Fund Manager Fee Payable	406,401	338,261
Trustee Fee and Custodian Fee Payable	167,070	146,698
Audit Fee and Tax Consultation Fee Payable	256,294	290,622
	<u>829,765</u>	<u>775,581</u>

12. Related party unit holding as at 30 June 2023 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	6,853,200
Senkadagala Finance PLC	Immediate Parent Company of the Fund Management Company	1,970,909.3	27,014,071
Mr. Jeevan Sukumaran	Chief Executive Officer	88,376.4	1,211,322
Mr. Monica Wanigasekara	Fund Manager	171,596.1	2,351,965
Mr. Surath Perera	Fund Manager	17,254.8	236,501
Mr. Ravinath Weerakoon	Fund Manager	38,494.9	527,627
Mr. Nuwan Kalupahana	Finance Manager	21,728.9	297,825
Mr. Nilanka Gamaethige	Head of Client Services & Marketng	1,392.5	19,086
Ms. Hesthika Perera	Assistant Registrar	14,588.2	199,541

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

13. Units in issue as at 30 June 2023 is 73,341,718.60

14. There are no material contingencies existing as at the 30 June 2023 that require adjustments to, or disclosure in the Interim Report.

15. There have no material events occurring after the 30 June 2023 that require adjustments or disclosure in the Interim Report.

16. The Fund does not have significant Capital Commitments as at the 30 June 2023.

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

	As at 30.06.2023	As at 31.12.2022 (Audited)
	Rs.	Rs.
Net Asset Value (Net Assets Attributable to Unit Holders) as per the Financial Statements	1,005,247,465	800,391,656
Published Net Asset Value	<u>1,005,247,465</u>	<u>800,391,656</u>
Number of Units Outstanding	73,341,718.6	70,709,507
Published Net Asset Value per Unit	<u>13.71</u>	<u>11.32</u>

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

Managing Company (Correspondence Address)

Senfin Asset Management (Pvt) Ltd
3rd Floor, No. 180,
Bauddaloka Mawatha, Colombo 04.
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T: +94 11 210 2000
F: +94 11 230 1937
Web: senfinassetmanagement.com
Email: sfam.info@senfin.com

Bankers

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No.285, Galle Road,
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Auditors

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

Lawyers

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Attorneys-at-Law
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F: +94 11 2335908
Web: <http://www.nithyapartners.com>

FUND INFORMATION

Registrar	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
Trustee and Custodian	Hatton National Bank PLC HNB Towers No 479, T B Jayah Mawatha P O Box 837 Colombo 10 Sri Lanka T: +94 11 2664664 T: +94 11 4764764 F: +94 11 2662832 Web: www.hnb.lk
Auditors	Kreston MNS & Co Chartered Accountants, Level 1 & 2, Advantage Building, 74A, Darmapala Mw, Colombo-07 T: +94 11 232 3571 F: +94 11 243 3388
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