

**SENFIN ASSET MANAGEMENT (PVT) LTD**

# **SENFIN DIVIDEND FUND**

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## **INTERIM REPORT**

**FOR THE SIX MONTH PERIOD ENDED 30TH JUNE 2023**



**Fund Manager**



**Trustee and Custodian**

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## FUND MANAGER’S REPORT

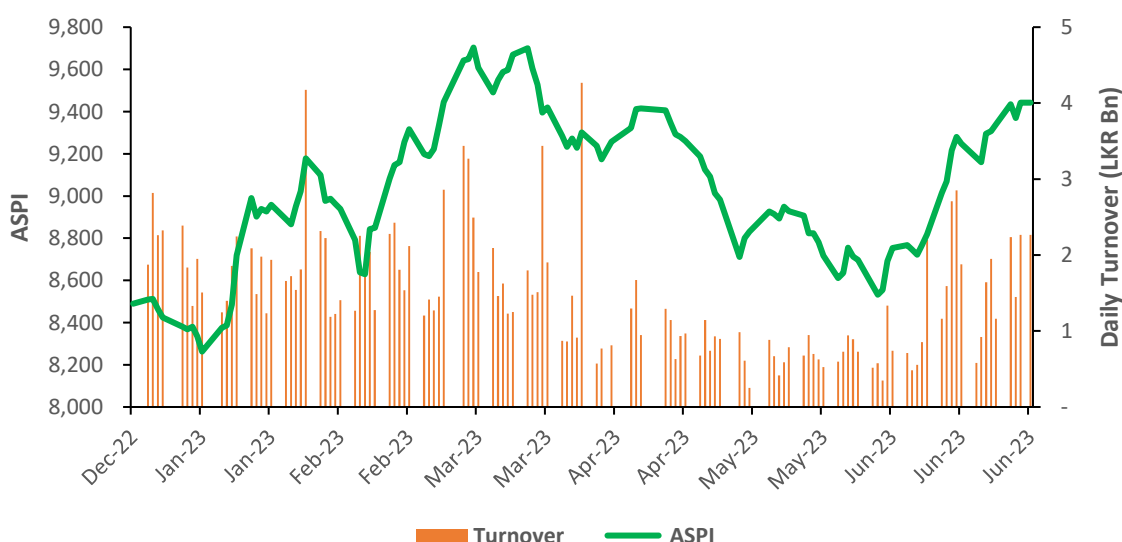
Dear Investor,

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

The performance of the share market as measured by the All Share Price Index (ASPI) increased by 11.23% during the first half of 2023 as opposed to a significant decrease of 39.95% in the first half of 2022. The S&P SL20 index gained 2.96% during the six month period under review, while it decreased by a mammoth 44.86% during the comparative period in 2022. Similarly, the Fund’s benchmark, All Share Total Return Index (ASTRI) gained 11.76% during 1H2023 vs a decrease of 39.94% in 1H2022<sup>1</sup>. During the initial part of the subject 6 months, indices displayed a positive momentum due to the expectation of the IMF Board Level Agreement. However, following the confirmation of the Board Level Agreement, the uncertainty over the possible Domestic Debt Optimization (DDO) took a toll on the indices, but indices recovered in the last part of 1H2023, once it was expected to be done with minimal impact to the banking sector. In addition, the overall sentiment on equity largely improved on the back of the decline in market interest rates which is likely to direct fund inflows to equity from fixed income, seeking better returns.

The average daily turnover reduced to LKR 1.48 Bn during 1H2023 against LKR 3.49 Bn in 1H2022. Foreigners were net buyers during the subject period with a total net foreign inflow of LKR. 1.07 Bn, as opposed to a net foreign outflow of LKR. 1.17 Bn<sup>2</sup> during 1H2022.

### All Share Price Index –Index and Turnover Value



Source: Colombo Stock Exchange

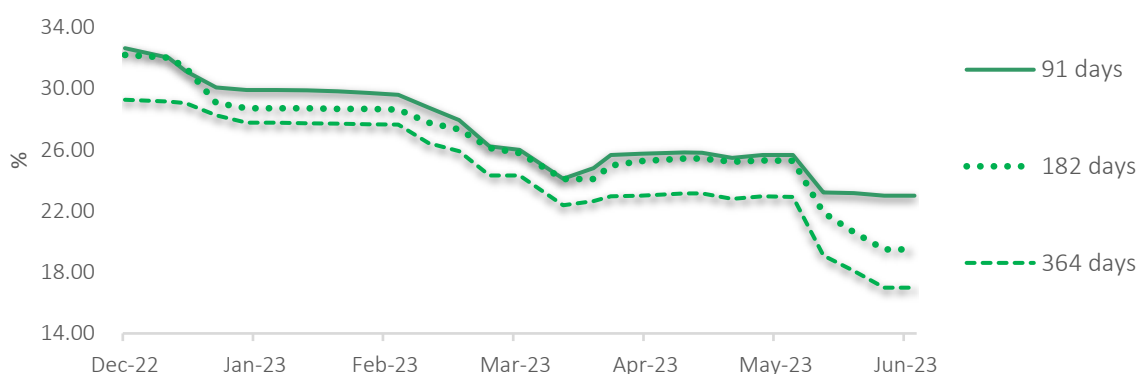
<sup>1</sup> Colombo Stock Exchange

<sup>2</sup> Colombo Stock Exchange

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 30<sup>th</sup> Jun 2023 compared to 14.50% as at 31<sup>st</sup> Dec 2022 and the Standing Lending Facility Rate (SLFR) stood at 14.00% compared to 15.50% as at 31<sup>st</sup> Dec 2022. However, the Statutory Reserve Ratio was maintained at 4.00% throughout the subject period.<sup>3</sup>

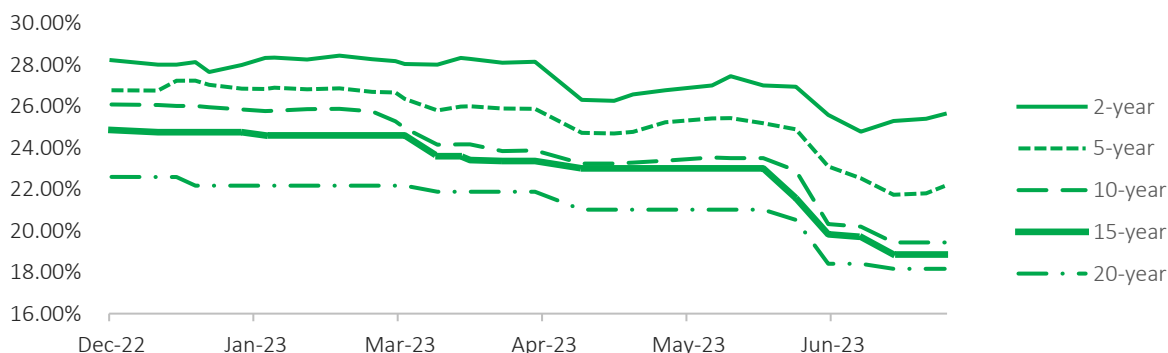
Despite the policy rate increases in March 2023, the six-months under review saw Treasury bill yields gradually easing throughout from the highs of 2022. The benchmark 03, 06 and 12-month yields decreased from 32.64%, 32.20% and 29.27% respectively as at the end of December 2022 to 23.00%, 19.49% and 16.99% respectively as at the end of June 2023<sup>4</sup>. 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.

### Treasury bill Rates



Source: Central Bank of Sri Lanka

### Treasury Bond Rate Movement



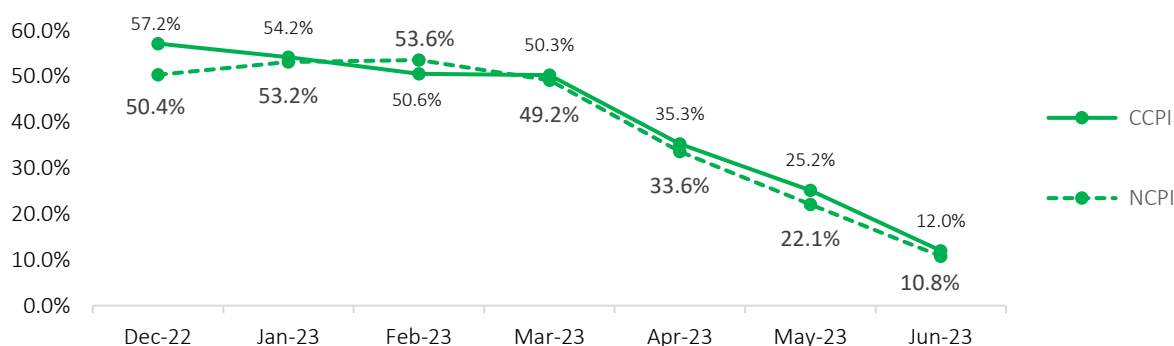
Source: Central Bank of Sri Lanka

<sup>3</sup> Central Bank of Sri Lanka, Monetary Policy Review

<sup>4</sup> Central Bank of Sri Lanka, Rates on Government Securities

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 period<sup>5</sup>. 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.

### Movement in the CCPI and NCPI (Base: 2021=100)

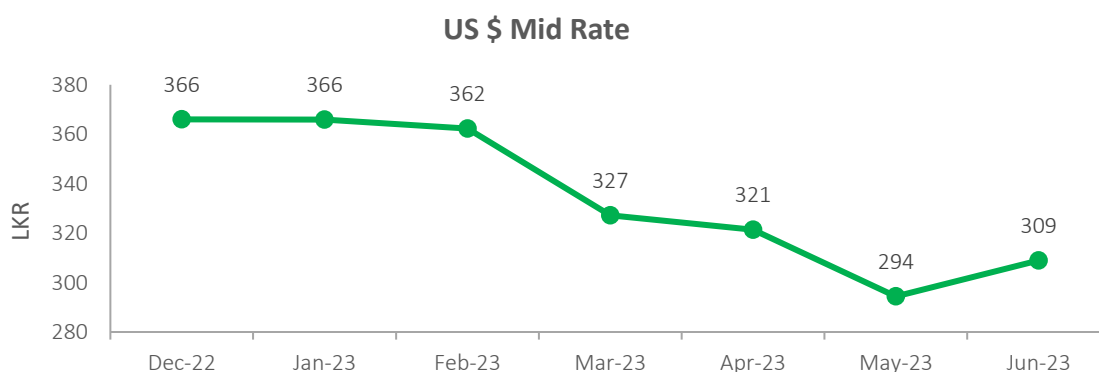


\* CCPI Dec 2022, CCPI Jan 2023 & NCPI Dec 2022 are based on 2013=100 Base year

Source: Statistics Department

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<sup>6</sup>.

### Movement in the USD/LKR Rate



Source: Central Bank of Sri Lanka

<sup>5</sup> Statistics Department

<sup>6</sup> Central Bank of Sri Lanka, End of Month Exchange Rates

## Fund Performance

During the period under review, Senfin Dividend Fund posted a return of 11.03% against the benchmark return of 11.76%.

### The Fund Performance as at 30<sup>th</sup> June 2023<sup>7</sup>

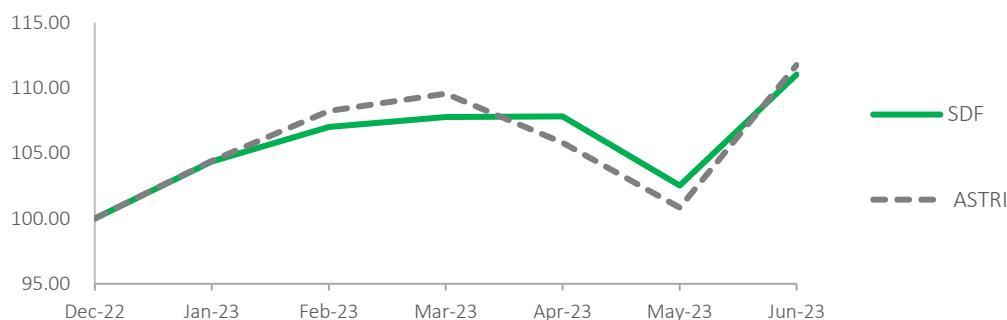
	Six months to 30 June 2023	One Year Performance to 30 June 2023	Since Inception (06 May 2021)	Since Inception (Annualized)
Senfin Dividend Fund	11.03%	20.94%	-2.98%	-1.40%
All Share Total Return Index (ASTRI)	11.76%	29.22%	32.18%	13.85%

Source: Senfin Asset Management (Pvt) Ltd & Colombo Stock Exchange

#### Note:

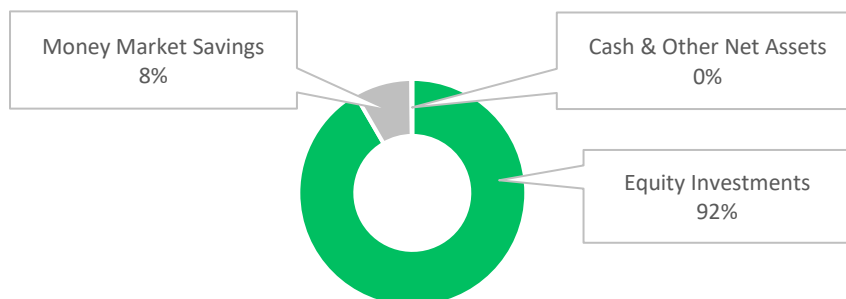
1. All returns in the table are non-annualized, except for the last column which shows the annualized return since inception.
2. Performance data is net of management fees and taxes.

### Fund performance Vs Benchmark



Source: Senfin Asset Management (Pvt) Ltd & Colombo Stock Exchange

### Asset Allocation as a percentage of NAV as at 30<sup>th</sup> June 2023 (Net of payables)<sup>8</sup>



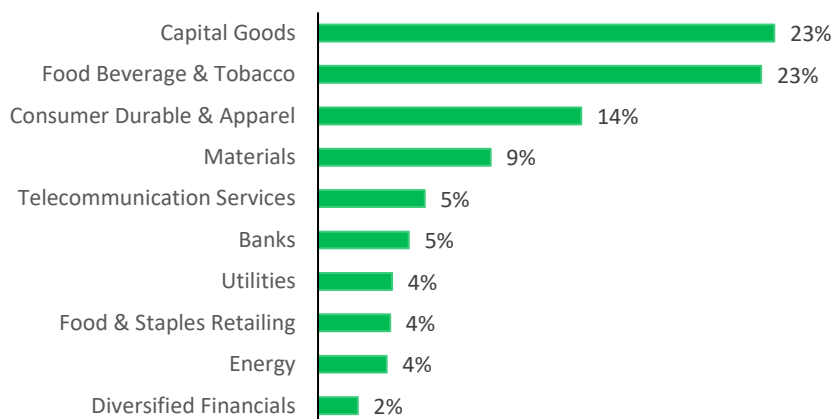
Source: Senfin Asset Management (Pvt)Ltd

<sup>7</sup> Senfin Asset Management (Pvt) Ltd

<sup>8</sup> Senfin Asset Management (Pvt) Ltd

## Equity Holding by Sector as at 30<sup>th</sup> June 2023<sup>9</sup>

The Net Asset Value (NAV) of the Fund was LKR 110,350,872.49 as at 30<sup>th</sup> June 2023<sup>10</sup> while the equity portfolio was LKR 101,393,250.55 accounting for of 91.9% of NAV.



Source: Senfin Asset Management (Pvt)Ltd

Subsequently, the DDO was announced at the end of the 1H2023 with mainly impacting CBSL Treasury Bill holdings and Superannuation Funds. Since the severity of DDO is less than anticipated with least impact to the banking system, it is expected to be positive on equities. We expect interest rates to decline further with another policy rate cut, as the risk premium of DDO is no longer exist, and hence to shift some fund inflows to equity from fixed income. Therefore, we look forward positively on equity in the medium run. We continue to analyze and invest in counters that are expected to perform well in the medium/long run, while remaining committed to the overall aim of dividend income capital appreciation.

Sincerely,  
**Investment Team**

<sup>9</sup> Senfin Asset Management (Pvt) Ltd

<sup>10</sup> Senfin Asset Management (Pvt) Ltd

## 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.
<b>INVESTMENT INCOME</b>			
Interest Income	3	999,634	595,729
Dividend Income		2,950,986	2,238,721
Net Change in Unrealised (Depreciation) / Appreciation on Financial Assets Held at Fair Value Through Profit and Loss	4	6,755,339	(23,839,120)
Net Change in Realised Gains on Financial Assets Held at Fair Value Through Profit and Loss	5	1,470,186	(2,341,412)
<b>TOTAL INVESTMENT INCOME</b>		<b>12,176,145</b>	<b>(23,346,081)</b>
<b>OPERATING EXPENSES</b>			
Management Fees		(388,799)	(275,836)
Trustee and Custodian Fees		(232,091)	(189,220)
Audit Fees		(88,271)	(48,841)
Brokerage Expenses on Equity Transactions		(655,683)	(373,521)
Tax Consultation Fees		(41,746)	(35,923)
With Holding Tax Expense		(274,931)	
Other Expenses		(8,689)	(2,980)
		<u>(1,690,210)</u>	<u>(926,321)</u>
<b>NET PROFIT BEFORE TAX</b>		<b>10,485,935</b>	<b>(24,272,402)</b>
Income Tax Expense	6	-	-
<b>NET PROFIT FOR THE PERIOD</b>		<b>10,485,935</b>	<b>(24,272,402)</b>
<b>INCREASE IN NET ASSETS ATTRIBUTABLE TO UNIT HOLDERS</b>		<b>10,485,935</b>	<b>(24,272,402)</b>



## STATEMENT OF FINANCIAL POSITION

As at 30 June 2023

	Notes	As at 30.06.2023		As at 31.12.2022	
		Rs.	% NAV	Rs. (Audited)	% NAV
<b>ASSETS</b>					
Cash and Cash Equivalents	7	9,153,313	8.3%	4,909,963	6.5%
Financial Assets - Held at Fair Value Through Profit and Loss	8	101,393,251	91.9%	71,359,615	94.0%
Financial Assets - Loans and Receivables	9	-	0.0%	-	-
Other Receivable	10	143,938	0.1%	-	-
Income Tax Receivable		-	0.0%	-	-
		<b>110,690,501</b>	<b>100.3%</b>	<b>76,269,578</b>	<b>100.5%</b>
<b>LIABILITIES</b>					
Accrued Expenses	11	339,629	0.3%	354,675	0.5%
Total Liabilities		<b>339,629</b>	<b>0.3%</b>	<b>354,675</b>	<b>0.5%</b>
<b>NET ASSET</b>		<b>110,350,872</b>	<b>100.0%</b>	<b>75,914,903</b>	<b>100.0%</b>
<b>UNIT HOLDERS' FUNDS</b>					
Net Assets Attributable to Unit Holders	17	<b>110,350,872</b>		<b>75,914,903</b>	

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.
<b>Unit Holders' Fund as at the Beginning of the Period</b>	75,936,717	84,567,303
Total Comprehensive Income for the Period	10,485,935	(24,272,402)
Received on Creation of Units	24,000,000	3,793,444
Paid on Redemption of Units	(71,779)	(209,557)
Net Decrease due to Unit holders' Transactions	23,928,221	3,583,887
Dividend paid	-	(1,557,560)
<b>Unit Holders' Fund as at the End of the Period</b>	<b>110,350,872</b>	<b>62,321,228</b>

## 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.
<b>Cash Flows from Operating Activities</b>		
Interest Received	724,703	588,419
Dividend Received	2,807,048	1,982,659
Placement fee Income	-	14,433
Management Fees and Trustee Fees Paid	(601,688)	(517,622)
Brokerage Paid on Equity Transactions	(655,683)	(373,521)
Audit Fees Paid	(142,450)	(105,001)
Other Expenses Paid	(8,689)	(2,977)
Investment in Equity Shares	(40,312,256)	(21,720,019)
Proceeds from Sale of Equity Shares	18,504,146	10,127,561
Net Investment in Treasury Bill/Bond and Repurchase Agreements	-	10,000,000
<b>Net Cash Flow (Used in) / Generated from Operating Activities</b>	<b>(19,684,870)</b>	<b>(6,067)</b>
<b>Cash Flows from Financing Activities</b>		
Cash Received on Creation of Units	24,000,000	3,793,444
Cash Paid on Redemption of Units	(71,779)	(209,557)
Dividend Distribution	-	(1,557,560)
<b>Net Cash Generated from / (Used in) Financing Activities</b>	<b>23,928,221</b>	<b>2,026,327</b>
Net Increase / (Decrease) in Cash and Cash Equivalents	4,243,351	2,020,260
Cash and Cash Equivalents at the Beginning of the Period	4,909,962	6,040,557
<b>Cash and Cash Equivalents at the End of the Period</b>	<b>9,153,313</b>	<b>8,060,817</b>

## 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 30.06.2022 Rs.	6 month ended 30.06.2022 Rs.
Interest on Bank Deposits	-	131,522
Interest on Treasury Securities	339,827	142,160
Placement Fees Income	-	14,433
Interest on Bank Money Market Bank account	659,807	307,614
	<u>999,634</u>	<u>595,729</u>

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

Unrealised (Depreciation) / Appreciation of Quoted Equity Securities	6,755,339	(23,839,120)
Unrealised appreciation of investment Treasury Securities	-	-
	<u>6,755,339</u>	<u>(23,839,120)</u>

### 5. NET CHANGE IN REALISED GAINS ON FINANCIAL ASSETS HELD AT FAIR VALUE THROUGH PROFIT AND LOSS

Proceeds on Sale of Quoted Equity Securities	18,504,146	10,127,561
Average Cost of Quoted Equity Securities Sold	(17,033,960)	(12,468,973)
	<u>1,470,186</u>	<u>(2,341,412)</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.

### 7. CASH AND CASH EQUIVALENTS

	As at 30.06.2023 Rs.	As at 31.12.2022 Rs. (Audited)
HNB Money Market Account	9,128,313	4,884,963
HNB Current Account	25,000	25,000
	<u>9,153,313</u>	<u>4,909,963</u>

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

Cost of Purchases	107,601,851	84,323,555
Unrealised Appreciation of Quoted Equity Securities	(6,208,601)	(12,963,940)
Market Value as at End of the Period	<u>101,393,251</u>	<u>71,359,615</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 Rs.	As at 31.12.2022 Rs. (Audited)
Investment in Treasury Securities	-	-
	-	-

### 10. OTHER RECEIVABLES

Dividend receivable	143,938	-
CDS Receivables	-	-
	<b>143,938</b>	<b>-</b>

### 11. ACCRUED EXPENSES

Fund Manager Fee Payable	66,019	49,255
Trustee Fee and Custodian Fee Payable	38,840	36,404
Audit Fee and Tax Consultation Fee Payable	234,769	269,016
CDS Payable	-	-
	<b>339,629</b>	<b>354,675</b>

### 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.)
E. W. Balasuriya and Company (Pvt) Ltd	Ultimate Parent Company of the Management Company	5,099,176.8	48,055,152.08
Senkadagala Finance PLC	Parent Company of the Management Company	242,008.8	2,280,715.13
Senfin Asset Management (Pvt) Ltd	Management Company	438,977.3	4,136,965.97
Mr. Sanath Bandaranayake	Director of Management Company	925.0	8,717.29
Mr. Ravinath Weerakoon	Fund Manager	9,437.5	88,939.94
Mr. Surath Perera	Fund Manager	509.9	4,805.35

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

### 13. Units in issue as at 30 June 2023 is 11,588,901.70

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 Rs.	As at 31.12.2022 Rs. (Audited)
Net Asset Value (Net Assets Attributable to Unit Holders) as per the Financial Statements	110,350,872	75,914,903
Other Adjustments	-	21,814
Published Net Asset Value	<b>110,350,872</b>	<b>75,936,717</b>
Number of Units Outstanding	11,588,901.7	8,854,673.0
Published Net Asset Value per Unit	<b>9.52</b>	<b>8.57</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,  
Bauddaloka 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 MarkarMawatha  
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>