

**SENFIN ASSET MANAGEMENT (PVT) LTD**

# **SENFIN INSURANCE SECTOR 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

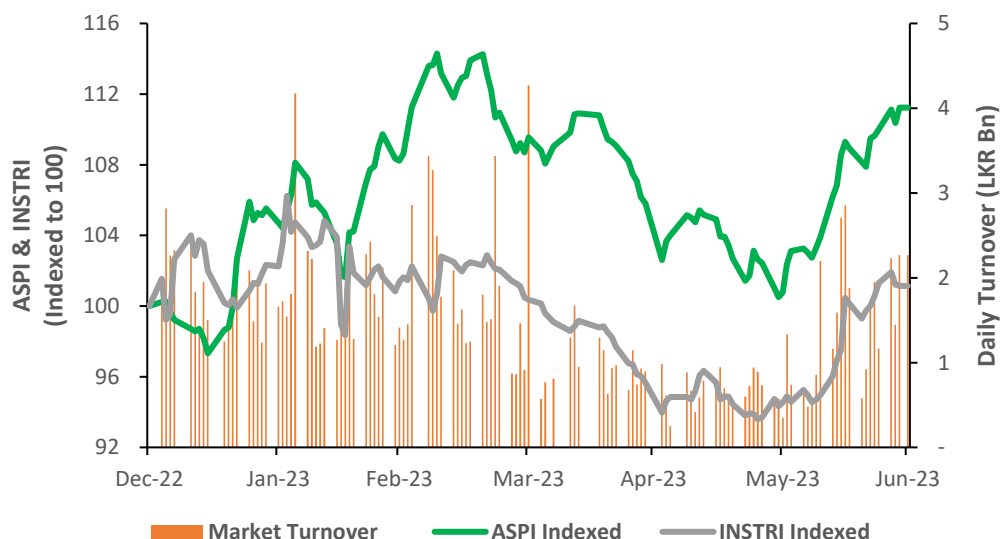
Dear Investor,

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

The performance of the equity market as measured by the All Share Price Index (ASPI) increased by 11.23% during the first half of 2023<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. Meanwhile the fund's benchmark Insurance Sector Total Return Index underperformed the ASPI and recorded an increase of 1.14% during the same period.

The average daily turnover of the overall market recorded LKR 1.48 Bn during 1H2023 while the Insurance Sector average daily turnover recorded LKR 0.18 Bn. In the overall market, foreigners were net buyers during the subject period with a total net foreign inflow of LKR. 1.07 Bn.

### Indexed ASPI, Indexed Insurance Sector Total Return Index and Daily Market Turnover



Source: Colombo Stock Exchange

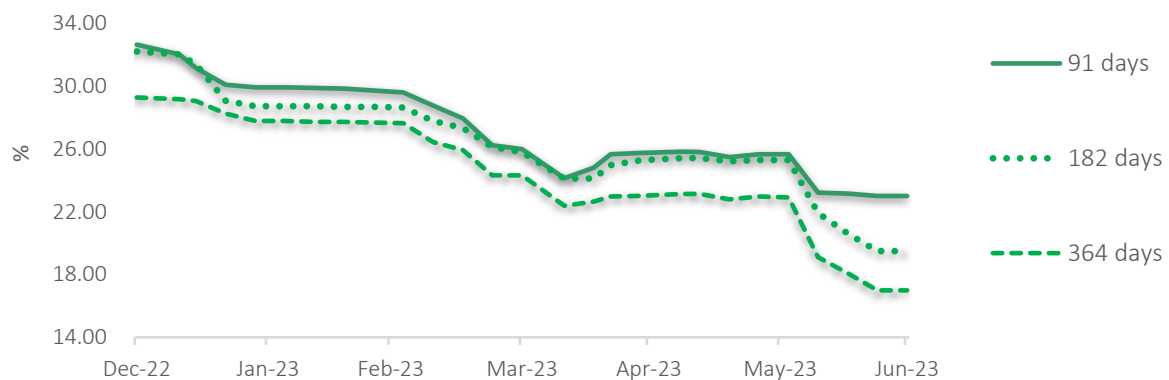
During 1H2023, the Monetary Board of the Central Bank of Sri Lanka (CBSL) further increased policy rates by 100 basis points prior to IMF Board Level Agreement in March 2023. However, as the decline in inflation

<sup>1</sup> Colombo Stock Exchange

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>2</sup>

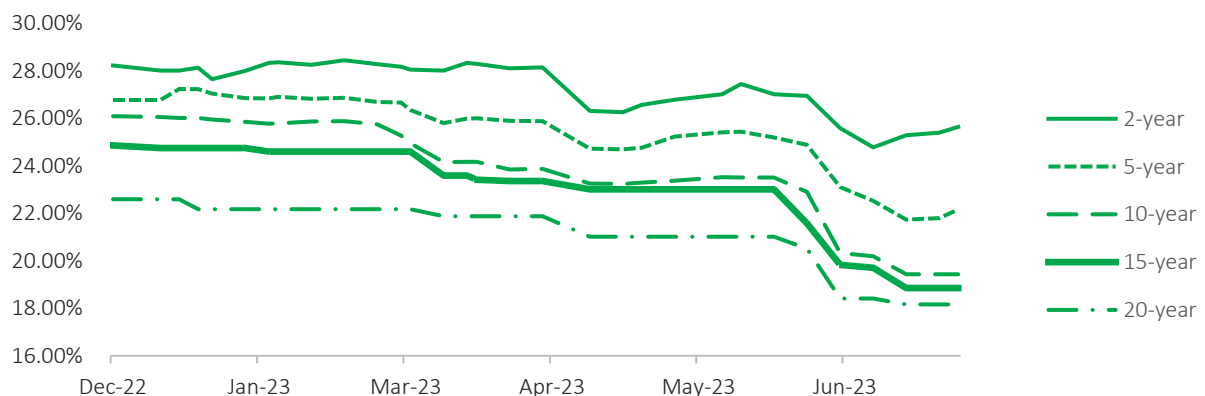
Despite the policy rate increases in March 2023, the six-months under review saw Treasury bill yields gradually easing throughout from the highs of 2022. The benchmark 03, 06 and 12-month yields decreased from 32.64%, 32.20% and 29.27% respectively as at the end of December 2022 to 23.00%, 19.49% and 16.99% respectively as at the end of June 2023<sup>3</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



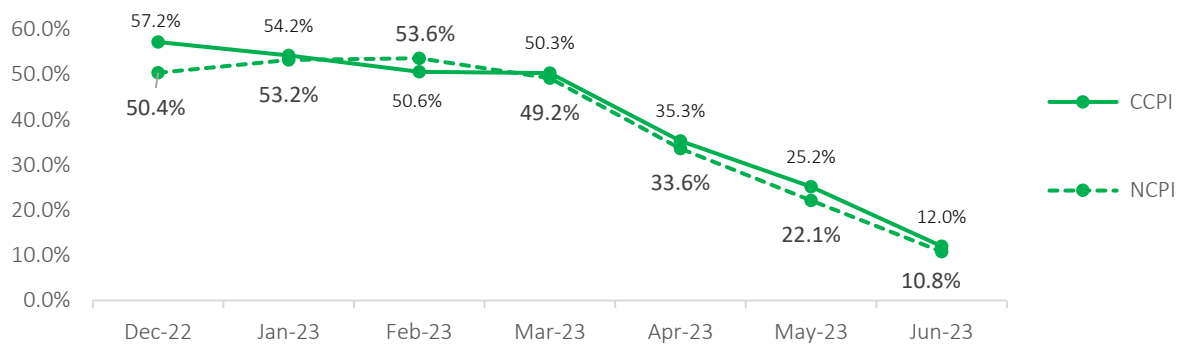
Source: Central Bank of Sri Lanka

<sup>2</sup> Central Bank of Sri Lanka, Monetary Policy Review

<sup>3</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 12.00% as at the end of Jun 2023 (Base year 2021) from high as 57.20% 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 10.80% (Base year 2021) from high as 50.40% (Base year 2013) during the same period<sup>4</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)

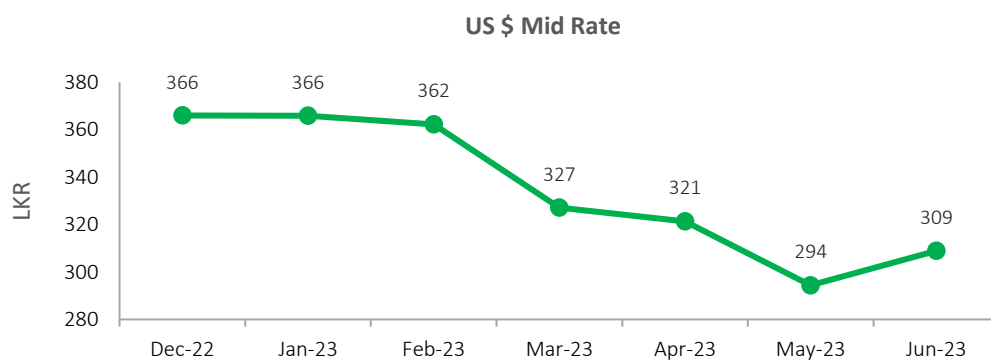


\* CCPI Dec 2022, CCPI Jan 2023 & NCPI Dec 2022 are based on 2013=100 Base year

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>5</sup>.

### Movement in the USD/LKR Rate



Source: Central Bank of Sri Lanka

<sup>4</sup> Statistics Department

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

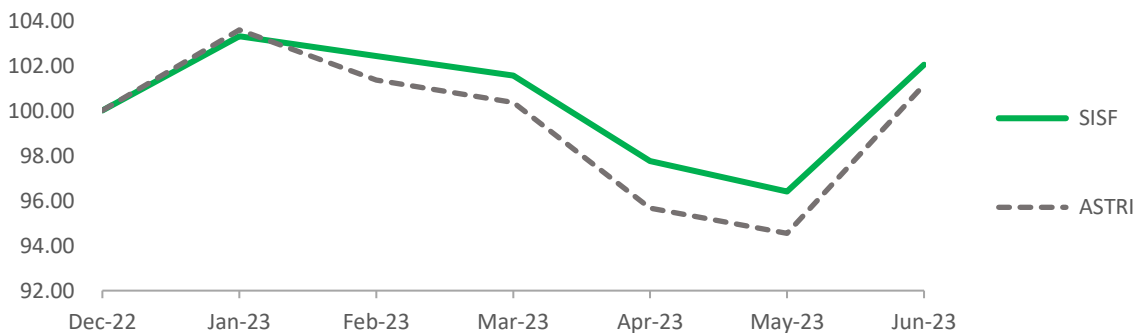
## The Fund Performance as at 30<sup>th</sup> June 2023<sup>6</sup>

During the period under review, Senfin Growth Fund posted a return of 2.04% against the benchmark return of 1.14%, thereby outperforming the benchmark by 0.9%.

	Six months to 30 June 2023	Performance since Inception
Senfin Insurance Sector Fund	2.04%	5.00%
Insurance Sector Total Return Index	1.14%	14.17%

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

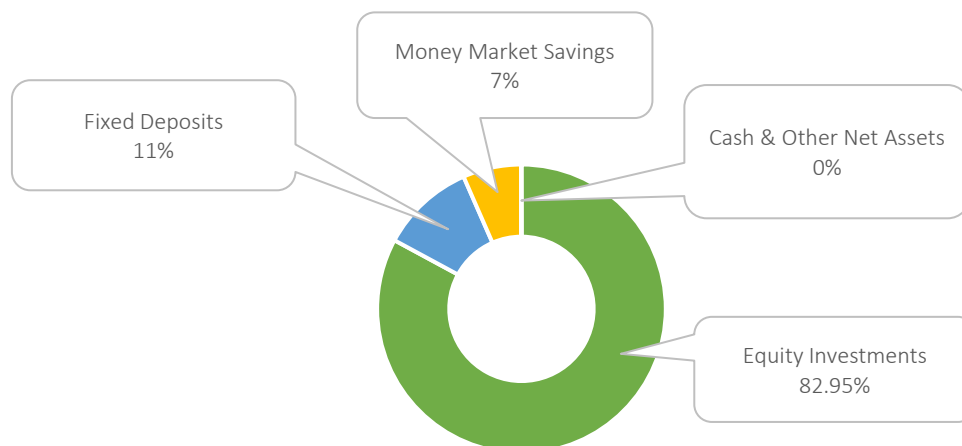
## Fund performance Vs Benchmark



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>7</sup>

The Net Asset Value (NAV) of the Fund was LKR 48,894,594.92 as at 30<sup>th</sup> June 2023<sup>8</sup> while the equity portfolio was LKR 40,557,311.55 accounting for of 82.95% of NAV.



Source: Senfin Asset Management (Pvt)Ltd

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

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

<sup>8</sup> 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. In addition, Insurance Companies will benefit from marked to market gains in their government securities portfolios. Therefore, we look forward positively on equity as well as the Insurance sector. We continue to analyze and invest in Insurance counters that are expected to perform well, while remaining committed to the overall aim of capital appreciation.

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.
<b>INVESTMENT INCOME</b>		
Interest Income	3	1,059,740
Dividend Income		950,022
Net Change in Unrealised (Depreciation) / Appreciation on Financial Assets Held at Fair Value Through Profit and Loss	4	(300,196)
Net Change in Realised Gains on Financial Assets Held at Fair Value Through Profit and Loss	5	(20,940)
<b>TOTAL INVESTMENT INCOME</b>		<b>1,688,626</b>
<b>OPERATING EXPENSES</b>		
Management Fees		(153,963)
Trustee and Custodian Fees		(176,600)
Audit Fees		(77,836)
Brokerage Expenses on Equity Transactions		(279,664)
Tax Consultation Fees		(100,585)
With Holding Tax Expense		(102,125)
Other Expenses		(520)
		<u>(891,294)</u>
<b>NET PROFIT BEFORE TAX</b>		<b>797,332</b>
Income Tax Expense	6	-
<b>NET PROFIT FOR THE PERIOD</b>		<b>797,332</b>
<b>INCREASE IN NET ASSETS ATTRIBUTABLE TO UNIT HOLDERS</b>		<b>797,332</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	3,230,892	6.6%	8,030,151	31.9%
Financial Assets - Held at Fair Value Through Profit and Loss	8	40,557,312	82.9%	16,292,493	64.7%
Financial Assets - Loans and Receivables	9	5,393,648	11.0%	-	-
Other Receivable	10	-	0.0%	1,098,804	0.04
Income Tax Receivable		-	0.0%	-	-
		<b>49,181,852</b>	<b>100.6%</b>	<b>25,421,448</b>	<b>100.9%</b>
<b>LIABILITIES</b>					
Accrued Expenses	11	287,257	0.6%	238,444	0.9%
Total Liabilities		<b>287,257</b>	<b>0.6%</b>	<b>238,444</b>	<b>0.9%</b>
<b>NET ASSET</b>					
		<b>48,894,595</b>	<b>100.0%</b>	<b>25,183,004</b>	<b>100.0%</b>
<b>UNIT HOLDERS' FUNDS</b>					
Net Assets Attributable to Unit Holders	17	<b>48,894,595</b>		<b>25,183,004</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

	<b>6 month ended 30.06.2023 Rs.</b>
<b>Unit Holders' Fund as at the Beginning of the Period</b>	25,202,563
Total Comprehensive Income for the Period	797,332
Received on Creation of Units	23,000,000
Paid on Redemption of Units	(105,300)
Net Decrease due to Unit holders' Transactions	22,894,700
Dividend paid	-
<b>Unit Holders' Fund as at the End of the Period</b>	<b><u>48,894,595</u></b>

## CASH FLOW STATEMENT

for the six month period ended 30 June 2023

**6 month ended  
30.06.2023**

**Rs.**

### **Cash Flows from Operating Activities**

Interest Received	726,502
Dividend Received	950,022
Placement fee Income	-
Management Fees and Trustee Fees Paid	(315,845)
Brokerage Paid on Equity Transactions	(279,664)
Audit Fees Paid	(124,768)
Other Expenses Paid	(520)
Investment in Equity Shares	(24,777,954)
Proceeds from Sale of Equity Shares	1,290,804
Refunds received from Initial Public Offer	-
Net Investment in Treasury Bill/Bond and Repurchase Agreements	-
Net Investment in Fixed Deposits	(5,162,536)
<b>Net Cash Flow (Used in) / Generated from Operating Activities</b>	<b>(27,693,959)</b>

### **Cash Flows from Financing Activities**

Cash Received on Creation of Units	23,000,000
Cash Paid on Redemption of Units	(105,300)
<b>Net Cash Generated from / (Used in) Financing Activities</b>	<b>22,894,700</b>

Net Increase / (Decrease) in Cash and Cash Equivalents	(4,799,259)
Cash and Cash Equivalents at the Beginning of the Period	8,030,151
<b>Cash and Cash Equivalents at the End of the Period</b>	<b>3,230,892</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. The fund was launched on 23rd August 2022, as such no comparative figures are available for the first six month period of the year 2022.

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.
Interest on Bank Deposits	414,367
Interest on Treasury Securities	-
Placement Fees Income	-
Interest on Bank Money Market Bank account	645,373
	<u>1,059,740</u>

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

Unrealised (Depreciation) / Appreciation of Quoted Equity Securities	(300,196)
Unrealised appreciation of investment Treasury Securities	-
	<u>(300,196)</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	192,000
Average Cost of Quoted Equity Securities Sold	(212,940)
	<u>(20,940)</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	3,205,892	8,005,151
HNB Current Account	25,000	25,000
	<u>3,230,892</u>	<u>8,030,151</u>

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

Cost of Purchases	39,720,383	15,155,369
Unrealised Appreciation of Quoted Equity Securities	836,928	1,137,124
Market Value as at End of the Period	<u>40,557,312</u>	<u>16,292,493</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 Fixed Deposits	5,393,648	-
	<b>5,393,648</b>	<b>-</b>

### 10. OTHER RECEIVABLES

CDS Receivables	-	1,098,804
	<b>-</b>	<b>1,098,804</b>

### 11. ACCRUED EXPENSES

Fund Manager Fee Payable	29,437	13,906
Trustee Fee and Custodian Fee Payable	27,160	27,971
Audit Fee and Tax Consultation Fee Payable	230,660	196,567
CDS Payable	-	-
	<b>287,257</b>	<b>238,444</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.)
Senkadagala Insurance Brokers	Subsidiary of the ultimate Parent Company	2,475,512.8	25,745,333.12
Senkadagala Finance PLC	Parent Company of the Management Company	250,000.0	2,600,000.00
Senfin Asset Management (Pvt) Ltd	Management Company	185,528.7	1,929,498.48
Mr. Murugaih Rajendran	Head of Compliance	1,000.0	10,400.00
Mr. Nilanka Gamaethige	Head of Client Service & Marketing	500.0	5,200.00

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

### 13. Units in issue as at 30 June 2023 is 4,656,529.10

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	48,894,595	25,183,004
Other Adjustments	-	19,560
Published Net Asset Value	<b>48,894,595</b>	<b>25,202,564</b>
Number of Units Outstanding	4,656,529.1	2,450,327.3
Published Net Asset Value per Unit	<b>10.50</b>	<b>10.29</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.  
Sri Lanka  
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> 267, Galle Road, Colombo 03. Sri Lanka T: +94 11 230 1301 F: +94 11 230 1937 Web: <a href="http://senfinassetmanagement.com">senfinassetmanagement.com</a>
<b>Trustee and Custodian</b>	<b>Hatton National Bank PLC</b> 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: <a href="http://www.hnb.lk">www.hnb.lk</a>
<b>Auditors</b>	<b>Kreston MNS &amp; Co</b> Chartered Accountants, Level 1 & 2, Advantage Building, 74A, Darmapala Mw, Colombo-07 T: +94 11 232 3571 F: +94 11 243 3388
<b>Lawyers</b>	<b>Nithya Partners</b> Attorneys-at-Law No. 97A, Galle Road Colombo 03 T: +94 11 4712625 F: +94 11 2335908 Web: <a href="http://www.nithyapartners.com">http://www.nithyapartners.com</a>