

SENFIN ASSET MANAGEMENT (PVT) LTD

SENFIN SHARIAH BALANCE FUND

INTERIM REPORT

FOR THE SIX MONTH PERIOD ENDED 30TH JUNE 2022



Fund Manager



Trustee and Custodian

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FUND MANAGER'S REPORT

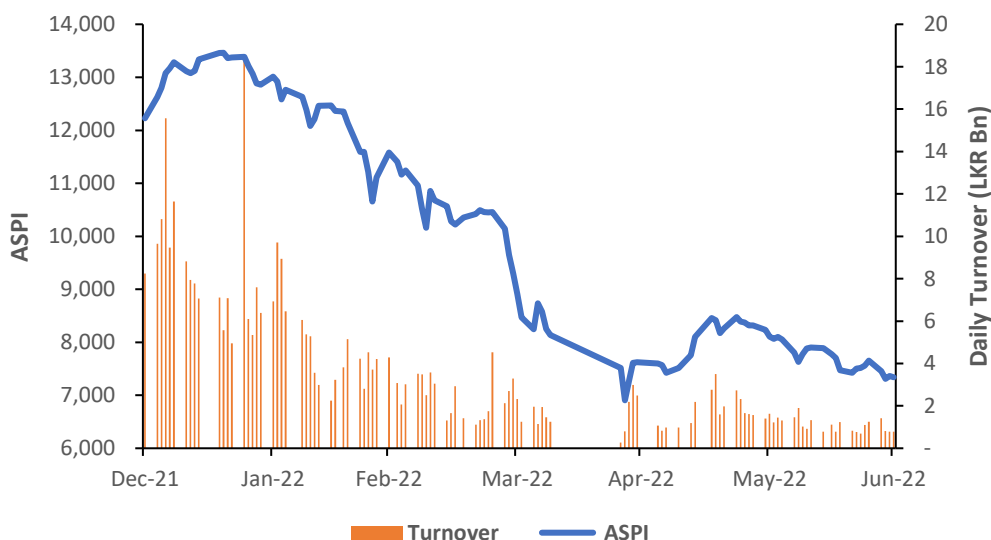
Dear Investor,

We are pleased to present the semi-annual report of Senfin Shariah Balanced Fund for the six months ending June 2022.

The performance of the share market as measured by the All Share Price Index (ASPI) decreased by a significant 39.95% in the first half of 2022 as opposed to an increase of 15.70% in the first half of 2021. The S&P SL20 index too decreased by 44.86% during the six month period under review, while it increased 12.52% during the comparative period in 2021. Similarly, the Fund's benchmark, All Share Total Return Index (ASTRI) declined by 39.94% during 1H2022 vs an increase of 15.84% in 1H2021¹. The substantial downward momentum of indices during 1H2022 was mainly due to country's worsened macro-economic situation, lack of dollar liquidity leading to foreign debt restructuring, fuel shortages and power outages hampering economic activities and aggravated political uncertainty. In addition, forced selling too had a negative impact on indices.

With the weak investor sentiment, the average daily turnover reduced to LKR 3.49 Bn during 1H2022 against LKR 4.01 Bn in 1H2021. Despite low activity levels, foreigners were net buyers during the subject period with a total net foreign inflow of LKR. 1.17 Bn, as opposed to a net foreign outflow of LKR. 26.44 Bn² during 1H2021.

All Share Price Index –Index and Turnover Value



Source: Colombo Stock Exchange

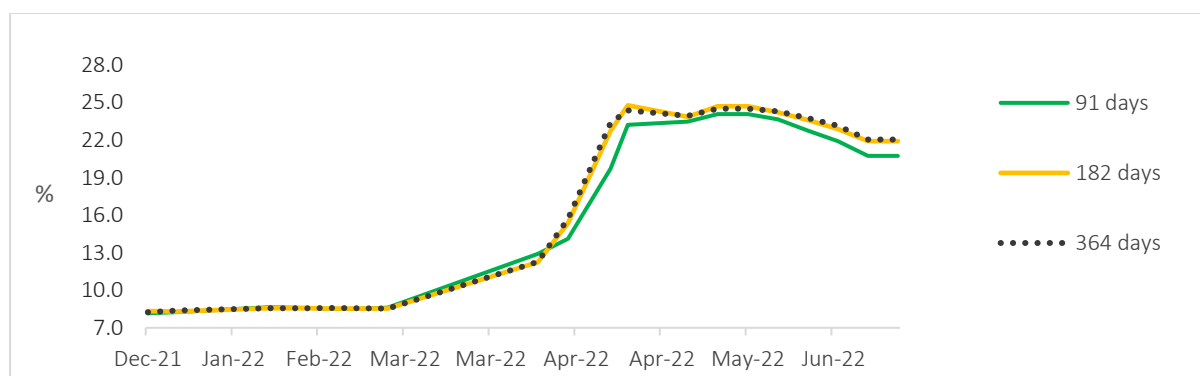
¹ Colombo Stock Exchange.

² Colombo Stock Exchange.

During the subject six months, the Monetary Board of the Central Bank of Sri Lanka (CBSL) executed a contractionary monetary policy stance with three rate hikes, out of which the most significant hike came in April 2022 Monetary Policy Review where policy rates were increased by 700 basis points each. This was mainly to curtail underlying demand side pressures in the economy, to stabilize the exchange rate and to correct inconsistencies in the market interest rates. Consequently, the Standing Deposit Facility Rate (SDFR) stood at 13.50% as at 30th Jun 2022 compared to 5.00% as at 31st Dec 2021 and the Standing Lending Facility Rate (SLFR) stood at 14.50% compared to 6.00% as at 31st Dec 2021. Similarly, the Bank Rate was also increased from 9.00% to 17.50% during 1H2022. However, the Statutory Reserve Ratio was maintained at 4.00% throughout the subject period³.

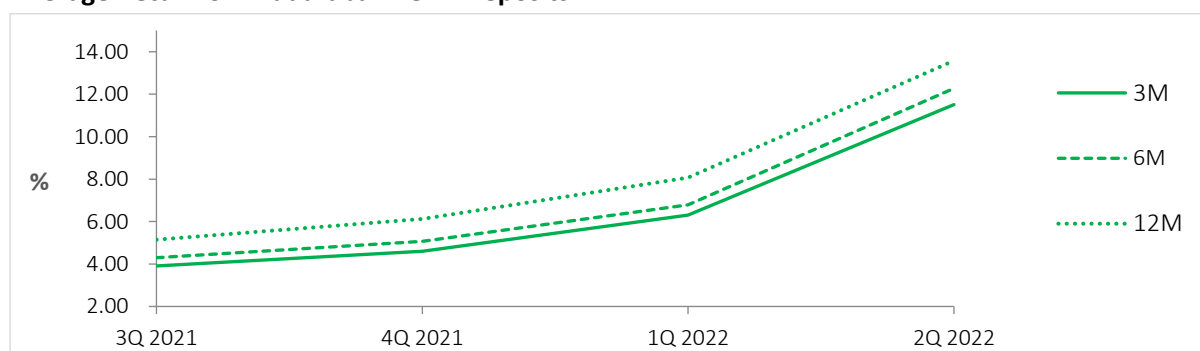
Along with the several policy rate hikes as aforementioned, the six-months under review saw Treasury bill yields too significantly increase. The benchmark 03, 06 and 12-month yields increased from 8.16%, 8.33% and 8.24% respectively as at the end of December 2021 to 20.73%, 21.90% and 22.04% respectively as at the end of June 2022⁴.

Movement in Treasury bill Rates in 1H2022



Source: Central Bank of Sri Lanka

Average Return on Mudarabah Term Deposits



Source: Senfin Asset Management (Pvt) Ltd.

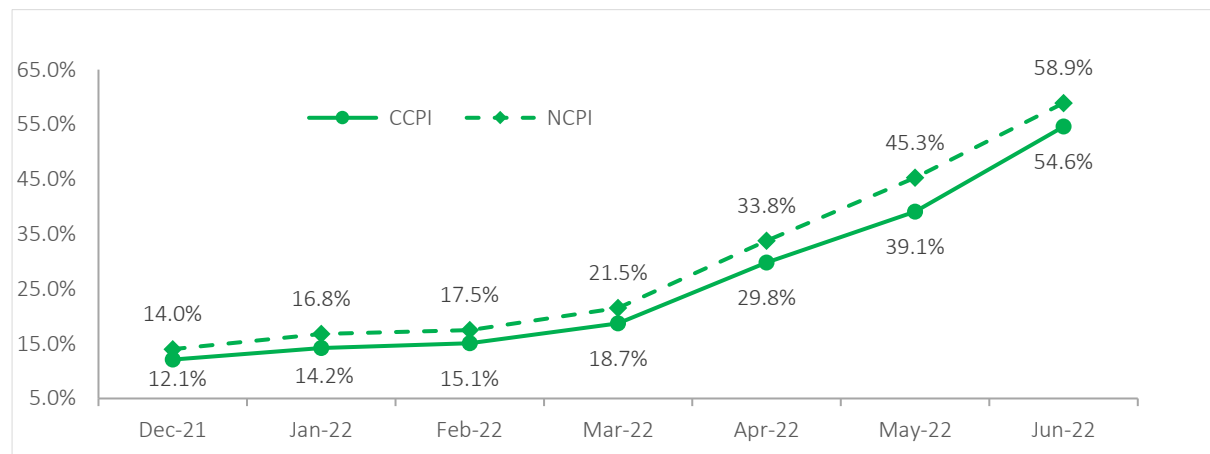
Following the upward movement in policy rates and treasury yields, Mudarabah rates have also increased as displayed in the above graph. However, the growth has been at a slower pace than policy rates and treasury yields.

³ Central Bank of Sri Lanka, Monetary Policy Review

⁴ Central Bank of Sri Lanka, Rates on Government Securities

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 period⁵. 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.

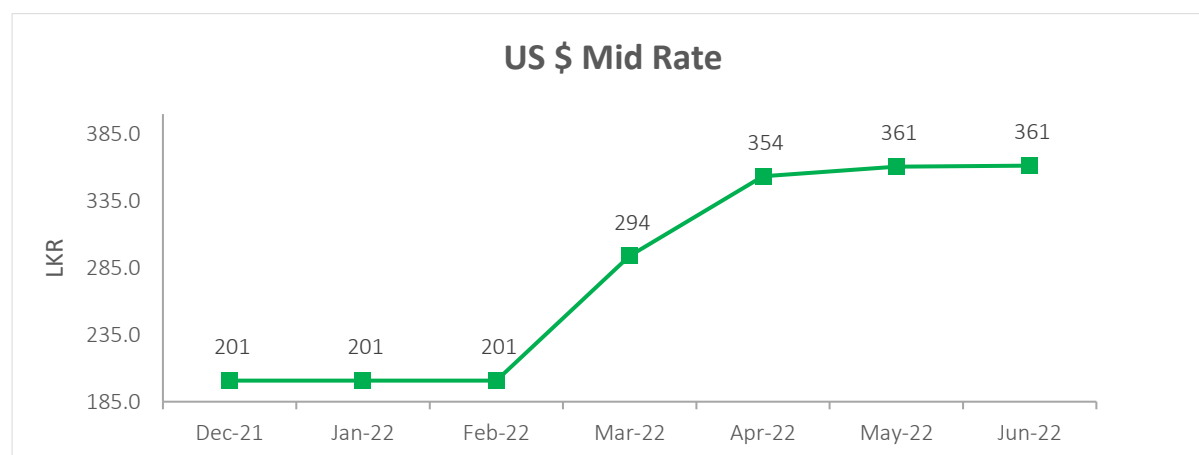
Movement in the NCPI and CCPI (Base: 2013=100)



Source: Department of Census and 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 1H2022⁶.

Movement in Exchange Rate (USD/LKR)



Source: Central Bank of Sri Lanka

⁵ Department of Census and Statistics

⁶ Central Bank of Sri Lanka, End of Month Exchange Rates

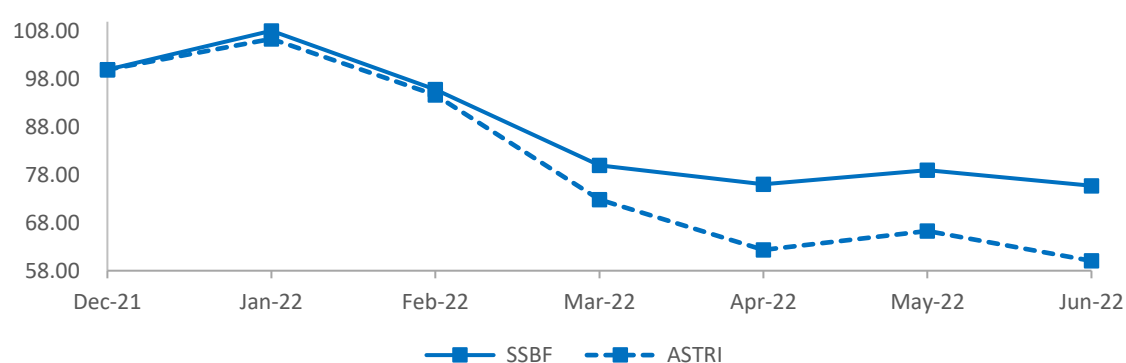
Performance Review of the Fund

The Fund Performance as at 30th June 2022⁷

Period	Since Inception (03 Dec 2012)	Since Inception (Annualized)	One Year Performance to 30 June 2022	Six months to 30 June 2022
Senfin Shariah Balanced Fund	34.78%	3.17%	-6.74%	-24.25%
All Share Total Return Index (ASTRI)	48.42%	4.21%	-6.21%	-39.94%

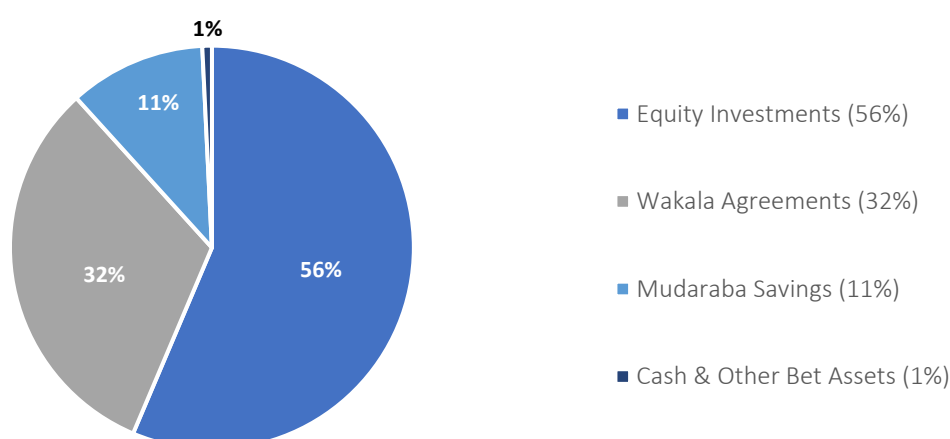
Source: Senfin Asset Management (Pvt) Ltd & Colombo Stock Exchange

Fund vs ASTRI



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

Asset Allocation as a percentage of Total Net Assets as at 30th June 2022 (Net of payables)⁸



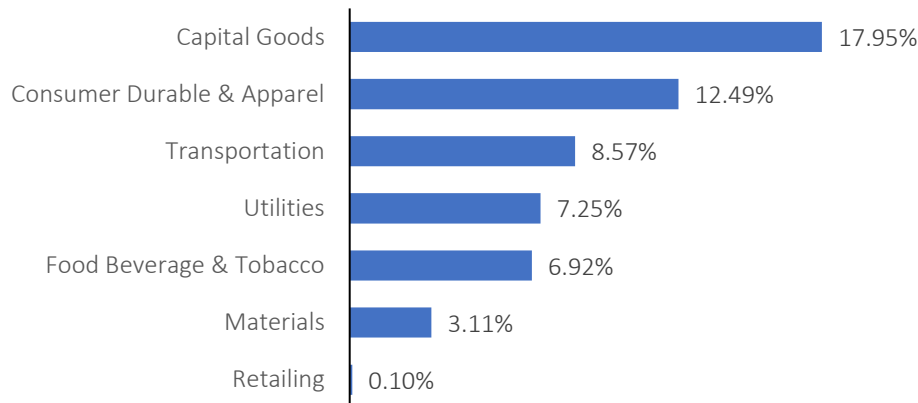
Source: Senfin Asset Management (Pvt) Ltd

⁷ Senfin Asset Management (Pvt) Ltd

⁸ Senfin Asset Management (Pvt) Ltd

Equity Holding by Sector as at 30th June 2022

The Net Asset Value (NAV) of the Fund was LKR 59,487,718.35 as at 30th June 2022⁹ while the equity portfolio was LKR 33,543,462.00 accounting for of 56.4% of NAV.



Source: Senfin Asset Management (Pvt)Ltd

In upcoming months, we anticipate a testing period amidst macro-economic challenges, lack of dollar liquidity, continued fuel shortages, political uncertainty, tax reforms & fiscal consolidation measures directed by IMF and possible decline in corporate earnings. However, indices appear to be already factored in most of the negative news and further downside seems limited. We continue to analyze and invest in counters that are expected to perform well in the medium / long run as well as counters that are expected to survive through the current challenging economic climate. On the Mudarabah front, with prevailing high rates, we expect to hold a decent portion of the portfolio in Mudarabah Term Deposits and Wakala Agreements in upcoming months.

Sincerely,
Investment Team

⁹ Senfin Asset Management (Pvt) Ltd

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	6 month ended 30.06.2021
		Rs.	Rs.
INVESTMENT INCOME			
Finance income from Mudaraba Investments	3	34,692	54,706
Finance income from Wakala Investments		974,335	265,830
Finance Income from Unquoted Shariah Compliant Debenture		-	-
Dividend Income		1,370,589	748,246
Net Change in Unrealised (Depreciation) / Appreciation on Financial Assets Held at Fair Value Through Profit and Loss	4	(22,165,174)	(3,501,907)
Net Change in Realised Loss on Financial Assets Held at Fair Value Through Profit and Loss	5	2,010,825	1,298,442
TOTAL INVESTMENT INCOME		(17,774,732)	(1,134,683)
OPERATING EXPENSES			
Management and Registrar Fees		(602,108)	(399,829)
Trustee and Custodian Fees		(185,361)	(165,547)
Audit Fees		(87,715)	(86,780)
Brokerage Expense on Equity Transactions		(202,012)	(544,681)
Tax Consultation fees		(45,394)	(19,433)
Non Permissible Income		(148,768)	(130,902)
Other Expenses		(2,580)	(3,898)
		(1,273,937)	(1,351,070)
LOSS BEFORE INCOME TAX		(19,048,669)	(2,485,753)
Income Tax Expense	6	-	-
NET LOSS AFTER TAX FOR THE PERIOD		(19,048,669)	(2,485,753)
Fair Value gain / (loss) on investment in un-quoted debentures		-	-
DECREASE IN NET ASSET ATTRIBUTABLE TO UNIT HOLDERS		(19,048,669)	(2,485,753)

STATEMENT OF FINANCIAL POSITION

As at 30 June 2022

	Notes	As at 30.06.2022		As at 31.12.2021	
		Rs.	% NAV	Rs.	% NAV
ASSETS					
Cash and Cash Equivalents	7	13,871,332	23.3%	17,184,582	21.89%
Financial Assets Held at Fair Value Through Profit and Loss	8	33,543,462	56.4%	55,742,527	71.01%
Financial Assets - Financing and Receivables	9	12,262,505	20.6%	6,298,982	8.02%
Other Receivables	10	528,371	0.9%	-	0.00%
		60,205,671	101.2%	79,226,091	100.9%
LIABILITIES					
Accrued Expenses	11	717,952	1.2%	724,181	0.9%
Total Liabilities		717,952	1.2%	724,181	0.9%
NET ASSETS					
		59,487,719	100.0%	78,501,910	100.0%
UNIT HOLDERS' FUNDS					
Net Assets Attributable to Unit holders		59,487,719		78,501,910	

Signed on behalf of the Management Company



Director
Management Company



Director
Management Company

29/09/2022

Date

STATEMENT OF MOVEMENT IN UNIT HOLDERS' FUND

for the six month period ended 30 June 2022

	6 month ended 30.06.2022 Rs.	6 month ended 30.06.2021 Rs.
Unit Holders' Fund as at the Beginning of the Period	78,501,910	17,029,029
Total Comprehensive Income for the Period	(19,048,669)	(2,485,753)
Received on Creation of Units	34,478	49,267,190
Paid on Redemption of Units	-	(34,711)
Net Increase due to Unit Holders' Transactions	34,478	49,232,479
Unit Holders' Fund as at the End of the Period	59,487,719	63,775,755

CASH FLOW STATEMENT

for the six month period ended 30 June 2022

	6 month ended 30.06.2022	6 month ended 30.06.2021
	Rs.	
Cash Flows from Operating Activities		
Finance Income on Mudaraba Investment	35,645	54,706
Finance Income on Wakala Investment	1,077,991	157,473
Dividend Received	842,218	718,246
Management Fees and Trustee Fees Paid	30,000	(491,037)
Brokerage Paid on Equity Transactions	(815,896)	(544,681)
Audit Fees Paid	(202,012)	-
Net Other Expenses Paid	(262,257)	(260,267)
Investment in Equity Shares	(7,996,036)	(39,715,537)
Proceeds from Sale of Equity Shares	10,040,752	8,736,720
Net Investment in Walaka Investments	6,224,242	(11,000,000)
Net Cash Flow Generated from Operating Activities	8,974,646	(42,344,377)
Cash Flows from Financing Activities		
Cash Received on Creation of Units	34,478	49,267,190
Cash Paid on Redemption of Units		(34,711)
Net Cash Used in Financing Activities	34,478	49,232,479
Net Decrease in Cash and Cash Equivalents	9,009,124	6,888,102
Cash and Cash Equivalents at the Beginning of the Period	4,862,208	6,665,576
Cash and Cash Equivalents at the End of the Period	13,871,332	13,553,678
Cash and Cash Equivalents at the end of the Period Comprises of		
Cash at Bank	645,601	2,456,942
Mudaraba Saving accounts	6,515,152	4,386,157
Wakala Investments (less than three months)	6,710,579	6,710,579
	13,871,332	13,553,678

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 2021.

3. FINANCE INCOME FROM MUDARABA INVESTMENTS	6 month ended 30.06.2022 Rs.	6 month ended 30.06.2021 Rs.
Finance Income from Mudaraba Saving accounts	<u>34,692</u>	<u>54,706</u>

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

Unrealised Depreciation of Quoted Equity Securities	<u>(22,165,174)</u>	<u>(3,501,907)</u>
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5. NET CHANGE IN REALISED LOSS ON FINANCIAL ASSETS HELD AT FAIR VALUE THROUGH PROFIT AND LOSS

Proceeds on Sale of Quoted Equity Securities	10,040,752	8,736,720
Average Cost of Quoted Equity Securities	<u>(8,029,927)</u>	<u>(7,438,278)</u>
	<u>2,010,825</u>	<u>1,298,442</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 30.06.2021 Rs.	As at 31.12.2021 Rs.
0		
Cash at Bank	645,601	3,882,351
Mudaraba Saving accounts (less than three months)	6,515,152	980,810
Wakala Investments (less than three months)	<u>6,710,579</u>	<u>12,321,421</u>
	<u>13,871,332</u>	<u>17,184,582</u>

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

Quoted Equity Securities

Cost of Purchases	42,120,000	42,153,891
Unrealised Depreciation of Quoted Equity Securities	<u>(8,576,538)</u>	<u>13,588,636</u>
Market Value as at End of the period	<u>33,543,462</u>	<u>55,742,527</u>

NOTES TO THE INTERIM FINANCIAL STATEMENTS

for the six month period ended 30 June 2022

	As at 30.06.2022 Rs.	As at 31.12.2021 Rs.
9. Financial Assets - Financing and Receivables		
Wakala Investments (more than three months)	12,262,505	6,298,982
	12,262,505	6,298,982
10. OTHER RECEIVABLES		
Dividend Receivables	528,371	-
	528,371	-
11. ACCRUED EXPENSES		
Fund Manager Fee Payable	87,622	113,990
Trustee Fee and Custodian Fee Payable	30,505	32,567
Audit Fee and Tax Consultancy fee Payable	151,057	182,625
Provision for Non Permissible income	448,767	394,999
CDS Payable	-	-
	717,952	724,181
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.)
E. W. Balasuriya and Company (Pvt) Ltd	Ultimate Parent Company of the Management Company	4,170,406.1
		44,122,896.54
Net Assets Value per unit is used to value the units held.		
13. Units in issue as at 30 June 2022 are 5,586,996.40		
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 Rs.	As at 31.12.2021 Rs. (Audited)
Net Asset Value (Net Assets Attributable to Unit Holders) as per the Financial Statements	59,487,719	78,501,910
Other adjustments	-	-
Published Net Asset Value	59,487,719	78,501,910
Number of units outstanding	5,586,996.4	5,584,449.0
Published Net Asset Value per unit	10.65	14.06

MANAGEMENT COMPANY INFORMATION

Managing Company (Registered Address)

Senfin Asset Management (Pvt) Ltd
267, Galle Road,
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Web: senfinassetmanagement.com

Managing Company (Correspondence Address)

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Bankers

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FUND INFORMATION

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