

SENFIN ASSET MANAGEMENT (PVT) LTD

SENFIN SHARIAH BALANCE 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

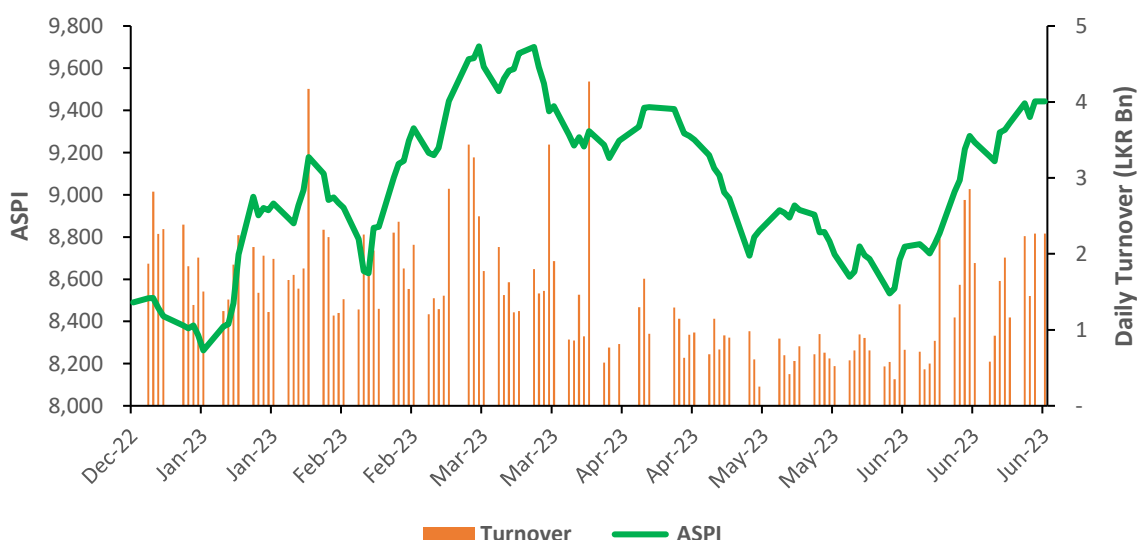
Dear Investor,

We are pleased to present the semi-annual report of Senfin Shariah Balanced 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 1H2022¹. 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 Bn² during 1H2022.

All Share Price Index –Index and Turnover Value



Source: Colombo Stock Exchange

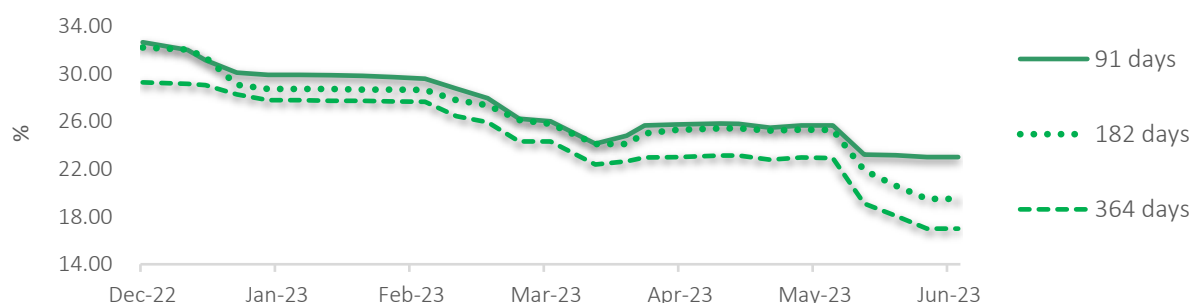
¹ Colombo Stock Exchange

² 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 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.³

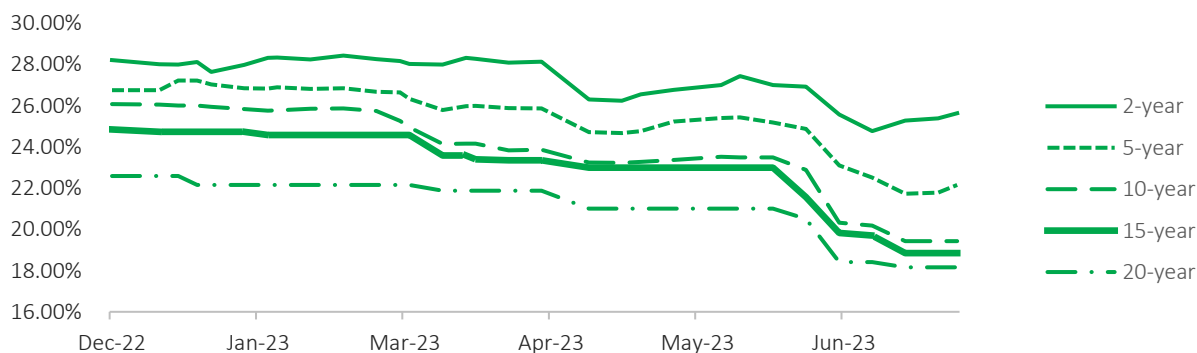
Despite the policy rate increases in March 2023, the six-months under review saw Treasury bill yields gradually easing throughout from the highs of 2022. The benchmark 03, 06 and 12-month yields decreased from 32.64%, 32.20% and 29.27% respectively as at the end of December 2022 to 23.00%, 19.49% and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



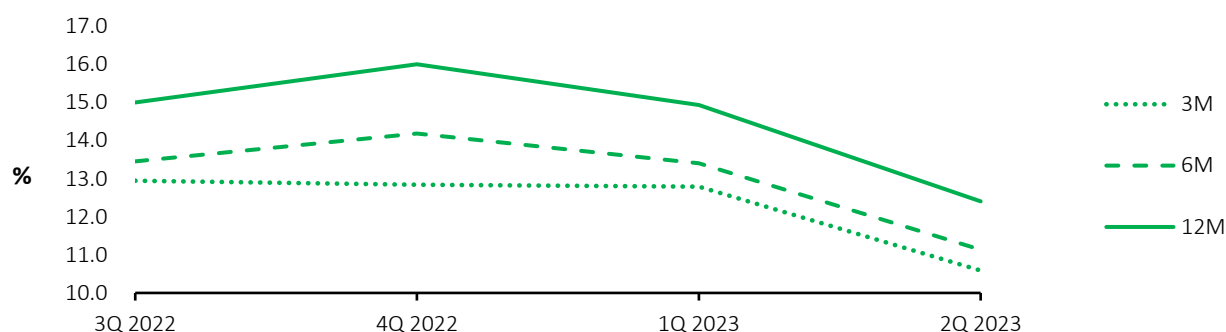
Source: Central Bank of Sri Lanka

³ Central Bank of Sri Lanka, Monetary Policy Review

⁴ Central Bank of Sri Lanka, Rates on Government Securities

Following the trend of conventional interest rates, Mudarabah rates too peaked during 4Q2022 and followed a gradual decline during 1H2023 as displayed in the below graph.

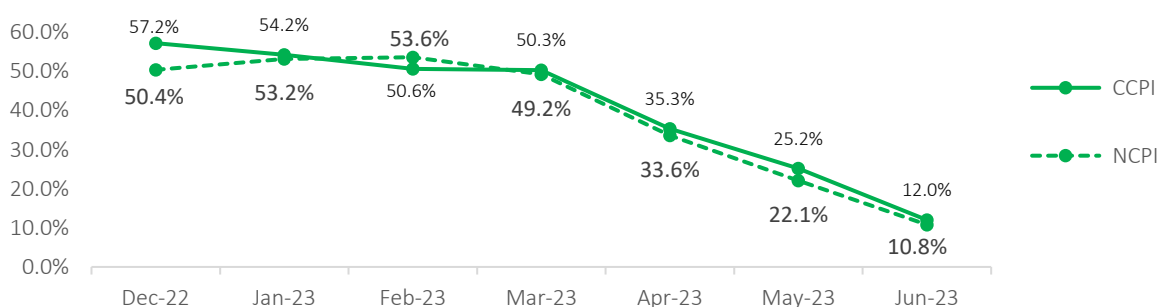
Average Return on Mudarabah Term Deposits



Source: Senfin Asset Management (Pvt)Ltd

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 period⁵. 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

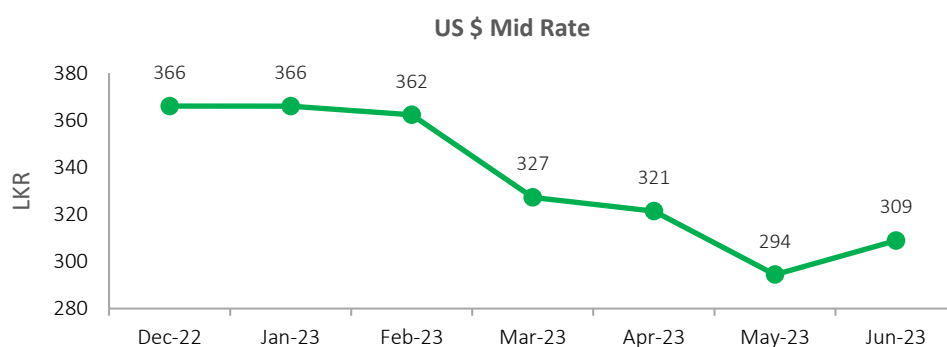
Source: Statistics Department

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 observed⁶.

⁵ Statistics Department

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

Movement in the USD/LKR Rate



Source: Central Bank of Sri Lanka

Fund Performance

During the period under review, Senfin Shariah Balanced Fund posted a return of 6.49% against the benchmark return of 11.76%.

The Fund Performance as at 30th June 2023⁷

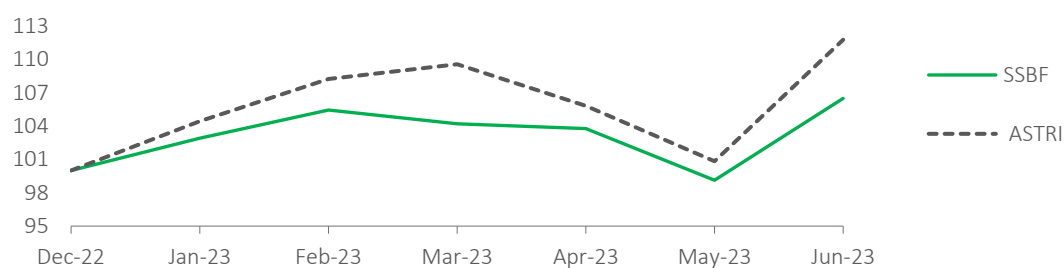
	Six months to 30 June 2023	One Year Performance to 30 June 2023	Since Inception (03 Dec 2012)	Since Inception (Annualized)
Senfin Shariah Balanced Fund	6.49%	14.08%	53.76%	4.15%
All Share Total Return Index (ASTRI)	11.76%	29.22%	91.79%	6.35%

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

Note:

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

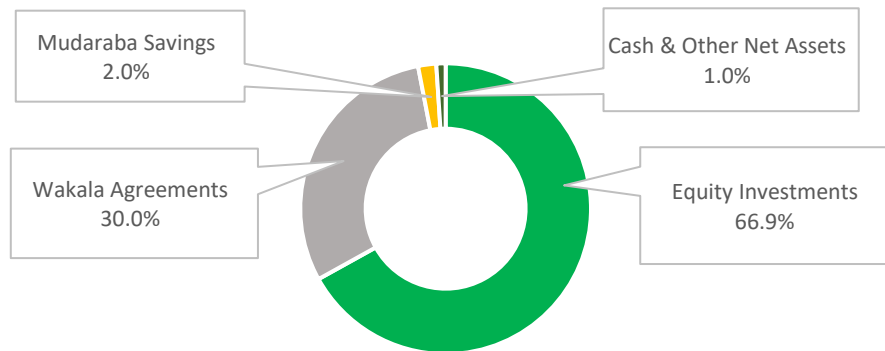
Fund performance Vs Benchmark



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

⁷ Senfin Asset Management (Pvt) Ltd

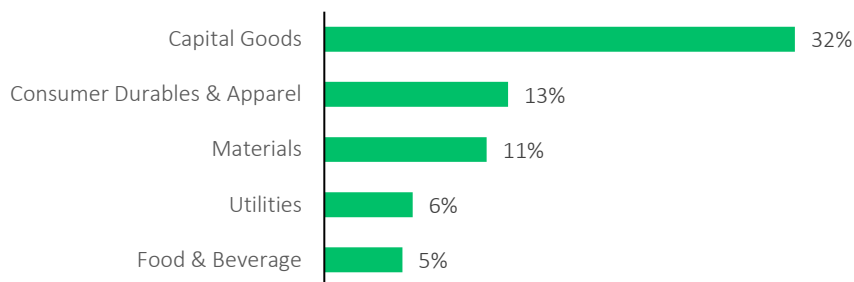
Asset Allocation as a percentage of NAV as at 30th June 2023 ⁸



Source: Senfin Asset Management (Pvt)Ltd

Equity Holding by Sector as at 30th June 2023⁹

The Net Asset Value (NAV) of the Fund was LKR 67,883,224.36 as at 30th June 2023 while the equity portfolio was LKR 45,447,093.70 accounting for of 66.9% 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 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 capital appreciation. We expect interest rates to decline further with another policy rate cut, as the risk premium of DDO is no longer exist, and Mudarabah rates are also expected to follow a similar pattern. Considering the decline in Mudarabah rates, the fund locked in its Mudarabah and Wakala investments at higher rates.

Sincerely,
Investment Team

⁸ Senfin Asset Management (Pvt) Ltd

⁹ 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	6 month ended 30.06.2022
		Rs.	Rs.
INVESTMENT INCOME			
Finance income from Mudaraba Investments	3	32,504	34,692
Finance income from Wakala Investments		2,174,024	974,335
Finance Income from Unquoted Shariah Compliant Debenture		-	
Dividend Income		1,441,823	1,370,589
Net Change in Unrealised (Depreciation) / Appreciation on Financial Assets Held at Fair Value Through Profit and Loss	4	2,314,409	(22,165,174)
Net Change in Realised Loss on Financial Assets Held at Fair Value Through Profit and Loss	5	(126,153)	2,010,825
TOTAL INVESTMENT INCOME		5,836,607	(17,774,732)
OPERATING EXPENSES			
Management and Registrar Fees		(573,095)	(602,108)
Trustee and Custodian Fees		(198,314)	(185,361)
Audit Fees		(108,634)	(87,715)
Brokerage Expense on Equity Transactions		(254,678)	(202,012)
Tax Consultation fees		(52,790)	(45,394)
Non Permissible Income		(273,670)	(148,768)
WHT Expenses		(233,547)	-
Other Expenses		(2,017)	(2,580)
		(1,696,744)	(1,273,937)
LOSS BEFORE INCOME TAX		4,139,863	(19,048,669)
Income Tax Expense	6	-	-
NET LOSS AFTER TAX FOR THE PERIOD		4,139,863	(19,048,669)
Fair Value gain / (loss) on investment in un-quoted debentures		-	-
DECREASE IN NET ASSET ATTRIBUTABLE TO UNIT HOLDERS		4,139,863	(19,048,669)

STATEMENT OF FINANCIAL POSITION

As at 30 June 2023

	Notes	As at 30.06.2023		As at 31.12.2022	
		Rs.	% NAV	Rs.	% NAV
ASSETS					
Cash and Cash Equivalents	7	13,407,905	20%	5,299,461	8.32%
Financial Assets Held at Fair Value Through Profit and Loss	8	45,444,394	67%	38,071,044	59.74%
Financial Assets - Financing and Receivables	9	9,623,236	14%	21,369,285	33.53%
Other Receivables	10	220,000	0%	-	0.00%
		68,695,534	101.2%	64,739,790	101.6%
LIABILITIES					
Accrued Expenses	11	815,010	1.2%	1,012,096	1.6%
Total Liabilities		815,010	1.2%	1,012,096	1.6%
NET ASSETS					
		67,880,525	100.0%	63,727,694	100.0%
UNIT HOLDERS' FUNDS					
Net Assets Attributable to Unit holders		67,880,525		63,727,694	

Signed on behalf of the Management Company



Director
Management Company



Director
Management Company

25/09/2023

Date

STATEMENT OF MOVEMENT IN UNIT HOLDERS' 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	63,755,662	78,501,910
Total Comprehensive Income for the Period	4,139,863	(19,048,669)
Received on Creation of Units	-	34,478
Paid on Redemption of Units	(15,000)	-
Net Increase due to Unit Holders' Transactions	(15,000)	34,478
Unit Holders' Fund as at the End of the Period	67,880,525	59,487,719

CASH FLOW STATEMENT

for the six month period ended 30 June 2023

	6 month ended 30.06.2023	6 month ended 30.06.2022
	Rs.	
Cash Flows from Operating Activities		
Finance Income on Mudaraba Investment	47,508	35,645
Finance Income on Wakala Investment	2,525,664	1,077,991
Dividend Received	1,221,823	842,218
Management Fees and Trustee Fees Paid	(773,904)	30,000
Brokerage Paid on Equity Transactions	(254,678)	(815,896)
Audit Fees Paid	(176,813)	(202,012.00)
WHT Paid	(233,547)	-
Net Other Expenses Paid	(426,919)	(262,257)
Investment in Equity Shares	(13,960,762)	(7,996,036)
Proceeds from Sale of Equity Shares	8,775,669	10,040,752
Net Investment in Walaka Investments	11,394,409	6,224,242
Net Cash Flow Generated from Operating Activities	8,138,449	8,974,646
Cash Flows from Financing Activities		
Cash Received on Creation of Units	-	34,478
Cash Paid on Redemption of Units	(15,000)	
Net Cash Used in Financing Activities	(15,000)	34,478
Net Decrease in Cash and Cash Equivalents	8,123,449	9,009,124
Cash and Cash Equivalents at the Beginning of the Period	5,284,456	4,862,208
Cash and Cash Equivalents at the End of the Period	13,407,905	13,871,332
Cash and Cash Equivalents at the end of the Period Comprises of		
Cash at Bank	670,376	645,601
Mudaraba Saving accounts	1,369,215	6,515,152
Wakala Investments (less than three months)	11,368,314	6,710,579
	13,407,905	13,871,332

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. FINANCE INCOME FROM MUDARABA INVESTMENTS	6 month ended 30.06.2023 Rs.	6 month ended 30.06.2022 Rs.
Finance Income from Mudaraba Saving accounts	<u>32,504</u>	<u>34,692</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>2,314,409</u>	<u>(22,165,174)</u>

5. NET CHANGE IN REALISED LOSS ON FINANCIAL ASSETS HELD AT FAIR VALUE THROUGH PROFIT AND LOSS		
Proceeds on Sale of Quoted Equity Securities	8,775,669	10,040,752
Average Cost of Quoted Equity Securities	<u>(8,901,821)</u>	<u>(8,029,927)</u>
	<u>(126,153)</u>	<u>2,010,825</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.
0		
Cash at Bank	670,376	1,960,068
Mudaraba Saving accounts (less than three months)	1,369,215	3,339,393
Wakala Investments (less than three months)	<u>11,368,314</u>	<u>-</u>
	<u>13,407,905</u>	<u>5,299,461</u>

8. FINANCIAL ASSETS HELD AT FAIR VALUE THROUGH PROFIT AND LOSS		
Quoted Equity Securities		
Cost of Purchases	50,136,593	45,077,652
Unrealised Depreciation of Quoted Equity Securities	<u>(4,692,199)</u>	<u>(7,006,608)</u>
Market Value as at End of the period	<u>45,444,394</u>	<u>38,071,044</u>

NOTES TO THE INTERIM FINANCIAL STATEMENTS

for the six month period ended 30 June 2023

	As at 30.06.2023 Rs.	As at 31.12.2022 Rs.
9. Financial Assets - Financing and Receivables		
Wakala Investments (more than three months)	9,623,236	21,369,285
	9,623,236	21,369,285
10. OTHER RECEIVABLES		
Dividend Receivables	220,000	-
	220,000	-
11. ACCRUED EXPENSES		
Fund Manager Fee Payable	94,673	95,593
Trustee Fee and Custodian Fee Payable	31,675	34,410
Audit Fee and Tax Consultancy fee Payable	239,893	282,093
Provision for Non Permissible income	448,768	600,000
CDS Payable	-	-
	815,010	1,012,096

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	4,170,406.1	50,295,097.57
Net Assets Value per unit is used to value the units held.			

13. Units in issue as at 30 June 2023 are 5,585,552.70

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	67,880,525	63,727,694
Other adjustments	2,700	26,812
Published Net Asset Value	67,883,225	63,754,506
Number of units outstanding	5,585,552.7	5,586,889.6
Published Net Asset Value per unit	12.15	11.41

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.
Sri Lanka
T: +94 11 210 2000
F: +94 11 230 1937
Web: senfinassetmanagement.com
Email: 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

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, Dharmapala Mawatha, Colombo 07 T: +94 11 2323571 F: +94 11 2433388
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