

**SENFIN ASSET MANAGEMENT (PVT) LTD**

# **SENFIN SHARIAH INCOME FUND**

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## **INTERIM REPORT**

**FOR THE SIX MONTH PERIOD ENDED 30TH JUNE 2024**



**Fund Manager**



**Trustee and Custodian**

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# FUND MANAGER’S REPORT

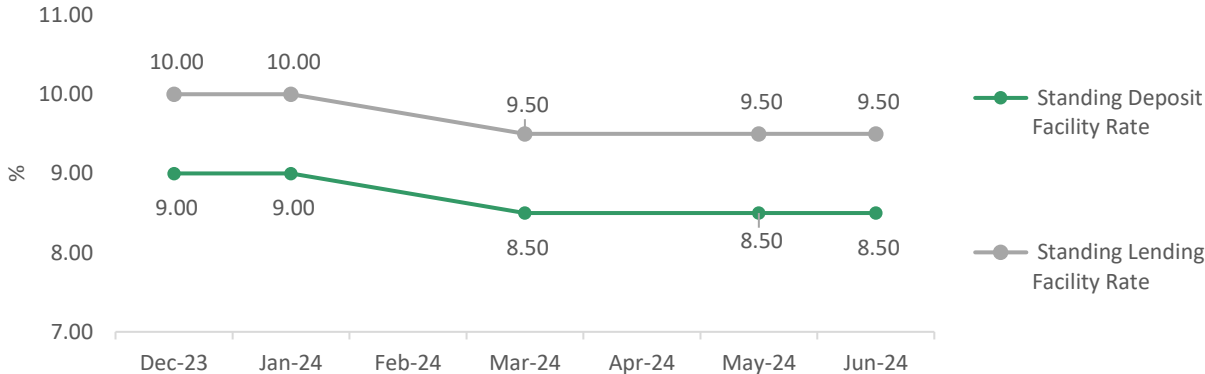
Dear Investor,

We are pleased to present the semi-annual report of Senfin Shariah Income Fund for the six months ending 30 June 2024.

During 1H2024, the Monetary Board of the Central Bank of Sri Lanka (CBSL) held 3 policy meetings. During the 1st Monetary Policy Review, the CBSL decided to maintain the Standing Deposit Facility Rate (SDFR) and the Standing Lending Facility Rate (SLFR) at the same level of 9.00% and 10.00% respectively. However, during the 2nd Monetary Policy Review in March 2024, the CBSL decided to reduce the SDFR and SLFR by 50 bps to 8.50% and 9.50% respectively, while keeping the SRR unchanged at 2.00%, mainly to maintain inflation at the desired level of 5% or below and to enable economic growth to reach its potential. Following that, during the 3rd Monetary Policy Review in May 2024, policy rates were maintained at same levels.

The period under review saw Treasury bill yields gradually easing. The benchmark 03, 06 and 12-month yields decreased from 14.51%, 14.16% and 12.93% respectively as at the end of December 2023 to 8.62%, 9.04% and 9.18% respectively as at the end of May 2024. Thereafter, the yields were seen moving up throughout the month of June 2024 and closed at 10.07%, 10.19% and 10.31% respectively as at 30 June 2024. During the 6 month period, the yield curve witnessed a correction and switched to a more upward sloping yield curve with the 3M and 6M yields dropping below 12M yield. Yields on long term government bonds too eased gradually, but remained volatile across the medium to long term maturities.

### Movement in Policy Rates<sup>1</sup>

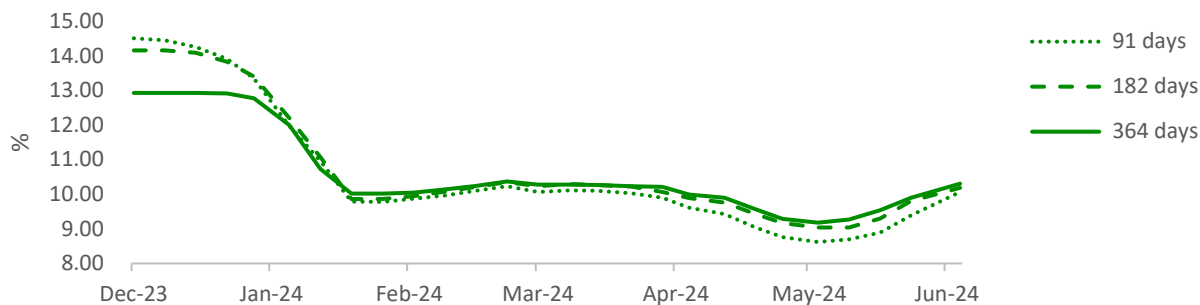


Source: Central Bank of Sri Lanka

### Treasury Bill Rate Movement<sup>2</sup>

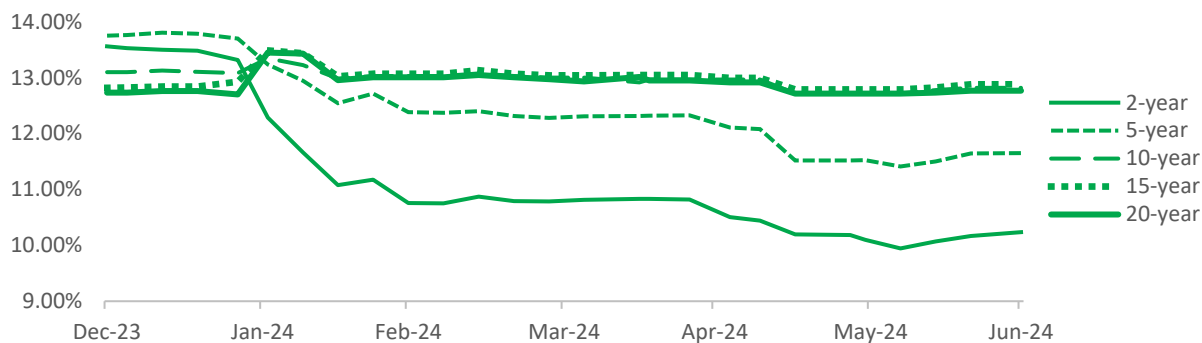
<sup>1</sup> Central Bank of Sri Lanka, Monetary Policy Review

<sup>2</sup> Central Bank of Sri Lanka, Rates on Government Securities



Source: Central Bank of Sri Lanka

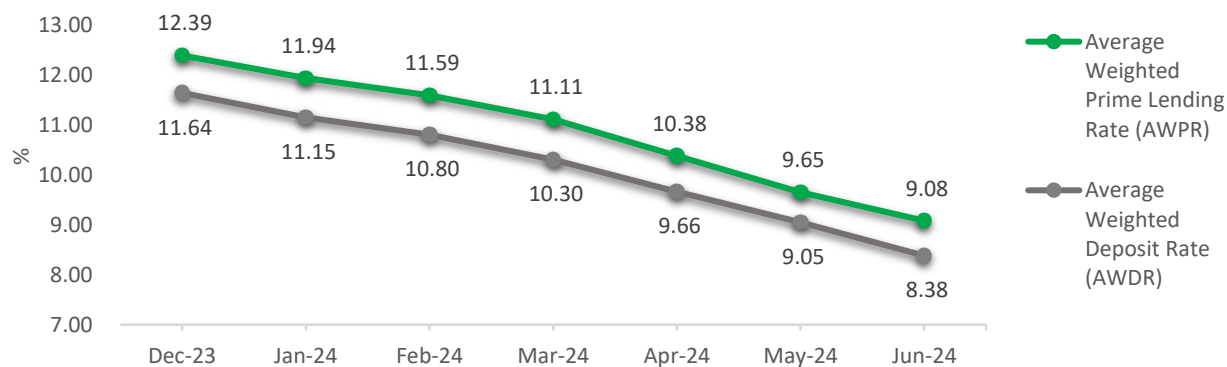
### Treasury Bond Rate Movement



Source: Central Bank of Sri Lanka

Similarly, the Average Weighted Prime Lending Rate (AWPR) too adjusted downwards reaching 9.08% at the end of June 2024 compared to 12.39% at the end of December 2023.

### Movement of Average Weighted Prime Lending Rate (AWPR) and Average Weighted Deposit Rate (AWDR) of Commercial Banks (% p.a.) at the month end<sup>3</sup>

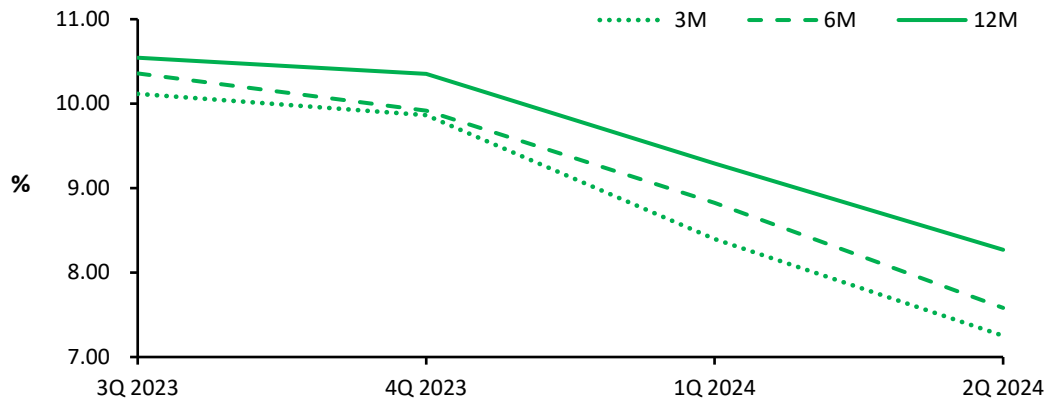


Source: Central Bank of Sri Lanka

On Shariah front, Mudarabah and Wakala rates have declined in line with conventional rate drop witnessed during 1H2024.

<sup>3</sup> Central Bank of Sri Lanka, Commercial Bank Lending and Deposit Rates

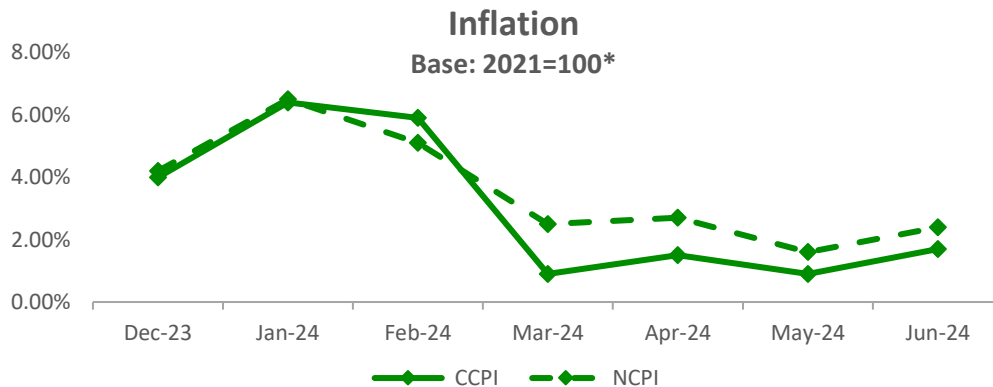
### Average Return on Mudarabah Term Deposits



Source: Senfin Asset Management (Pvt)Ltd

Inflation measured by the year-on-year change in the Colombo Consumer Price Index (CCPI) accelerated to 6.4% in Jan 2024 from 4.0% in Dec 2023, mainly due to tax adjustments implemented at the beginning of the month and weather-related disruptions to food supply. Similarly, inflation measured by the year-on-year change in the National Consumer Price Index (NCPI) too increased to 6.5% in Jan 2024 from 4.2% in Dec 2023. However, during subsequent months, inflation witnessed a decline and during March – June 2024 months, it remained well below the targeted of 5.0% level. 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.

### Movement in the CCPI and NCPI<sup>4</sup>



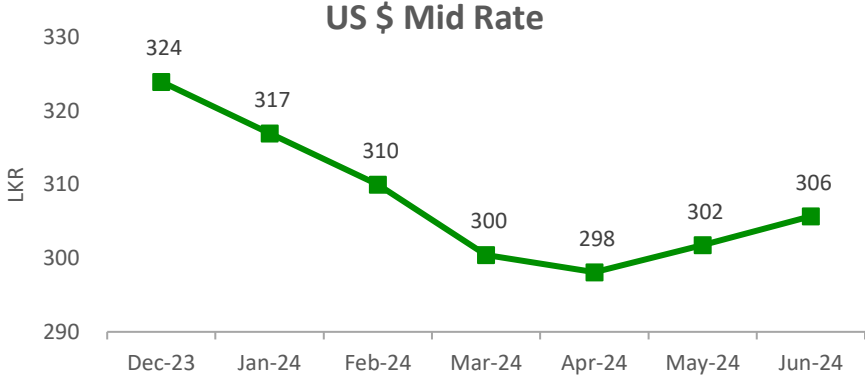
Source: Central Bank of Sri Lanka

The exchange rate experienced a gradual appreciation during Jan-Apr 2024, driven by several positive factors including increase in worker remittances, rise in tourism earnings and improvement in the country's Gross Official Reserves. However, the exchange rate recorded a slight depreciation during May-Jun 2024.

<sup>4</sup> Central Bank of Sri Lanka

Sri Lanka reached External Debt Restructuring (EDR) agreement by the end of the 1H2024 with the Official Creditor Committee and Export-Import Bank of China. The agreement resulted in a maturity extension, principal moratorium and a coupon reduction.

**Movement in the USD/LKR Rate<sup>5</sup>**



Source: Central Bank of Sri Lanka

**Fund Performance**

During the period under review, Senfin Shariah Income Fund posted an annualized return of 9.63%.

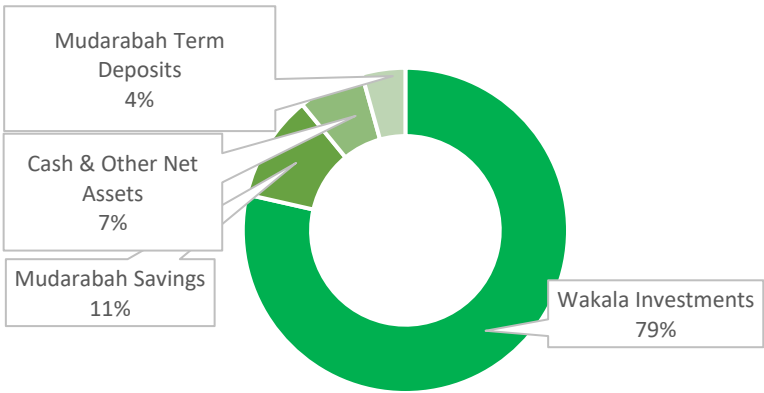
**Fund Performance as at 30<sup>th</sup> June 2024**

Period	YTD / 6M	3M	1M
Fund Return	9.63%	8.90%	7.10%

Source: Senfin Asset Management (Pvt) Ltd.

Note: Performance data is net of management fees and taxes. Returns are annualized.

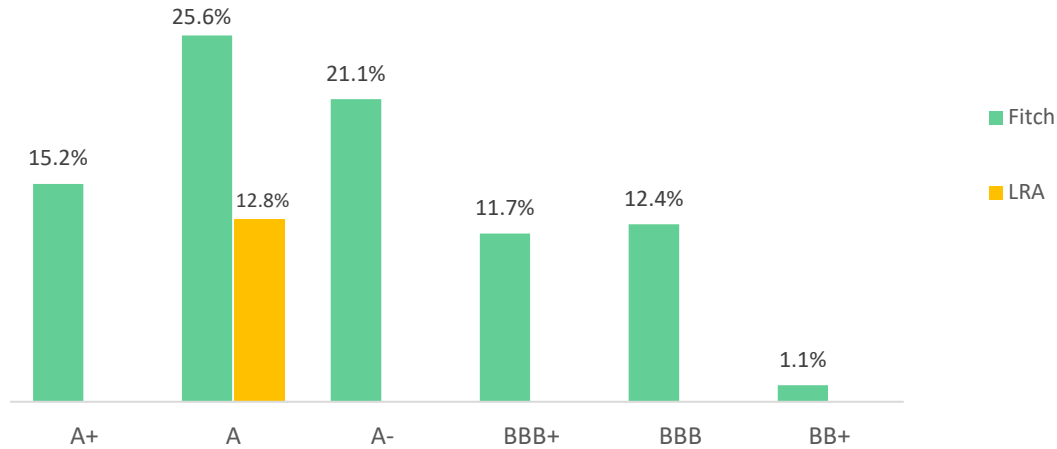
**Asset Allocation as a percentage of Total Net Assets as at 30<sup>th</sup> June 2024 (Net of payables)**



Source: Senfin Asset Management (Pvt) Ltd.

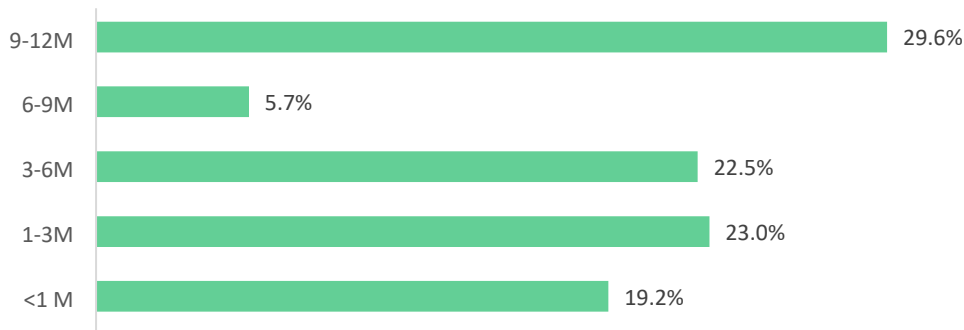
<sup>5</sup> Central Bank of Sri Lanka

### Credit Profile of the Fund as at 30<sup>th</sup> June 2024



Source: Senfin Asset Management (Pvt) Ltd.

### Maturity Profile of the Fund as at 30<sup>th</sup> June 2024



Source: Senfin Asset Management (Pvt) Ltd.

We expect interest rates to bottom out in upcoming months and slightly increase closer to the end of CY2024. Mudarabah and Wakala rates are also expected to follow a similar pattern.

Given the prevailing market volatility, our conservative approach and maturity management has served our investors well, as we prioritize safeguarding capital while generating competitive yields. Looking ahead, 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 COMPREHENSIVE INCOME

for the 6 month period ended 30 June 2024

	Notes	6 month ended 30.06.2024 Rs.	6 month ended 30.06.2023 Rs.
<b>INCOME</b>			
Finance Income from Mudaraba Investments	3	600,427	1,127,338
Finance Income from Wakala Investments		6,939,816	5,121,725
Other Income		-	-
		<u>7,540,243</u>	<u>6,249,064</u>
<b>EXPENSES</b>			
Management Fees		(414,468)	(204,814)
Trustee Fees		(265,511)	(200,768)
Audit Fees		(149,080)	(108,634)
WHT Expenses		(376,854)	(391,905)
Other Expenses		(59,623)	(51,086)
		<u>(1,265,536)</u>	<u>(957,207)</u>
<b>NET PROFIT BEFORE INCOME TAX</b>		<b>6,274,707</b>	<b>5,291,857</b>
Income Tax Expense	4	-	-
<b>NET PROFIT AFTER INCOME TAX FOR THE PERIOD</b>		<b><u>6,274,707</u></b>	<b><u>5,291,857</u></b>
<b>INCREASE IN NET ASSET ATTRIBUTABLE TO UNIT HOLDERS</b>		<b><u>6,274,707</u></b>	<b><u>5,291,857</u></b>



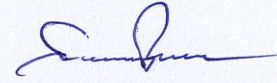
## STATEMENT OF FINANCIAL POSITION

As at 30 June 2024

	Notes	As at 30.06.2024 Rs.	% NAV	As at 31.12.2023 Rs. (Audited)	% NAV
<b>ASSETS</b>					
Cash and cash equivalents	5	72,274,422	46.10%	58,054,104	44.51%
Financial assets - financing and receivables	6	84,898,731	54.16%	73,461,467	56.32%
		<u>157,173,153</u>	<u>100.26%</u>	<u>131,515,571</u>	<u>100.82%</u>
<b>LIABILITIES</b>					
Accrued Expenses	7	406,449	0.26%	1,071,901	0.82%
Total Liabilities		<u>406,449</u>	<u>0.26%</u>	<u>1,071,901</u>	<u>0.82%</u>
<b>NET ASSET</b>		<u>156,766,704</u>	<u>100.00%</u>	<u>130,443,670</u>	<u>100.00%</u>
<b>UNIT HOLDERS' FUNDS</b>					
Net Assets Attributable to Unit holders		<u>156,766,704</u>		<u>130,443,670</u>	

Signed on behalf of the Management Company

  
 Director  
 Management Company

  
 Director  
 Management Company

30-09-2024  
 Date

## STATEMENT OF MOVEMENT IN UNIT HOLDERS' FUND

for the 6 month period ended 30 June 2024

	6 month ended 30.06.2024 Rs.	6 month ended 30.06.2023 Rs.
<b>UNITHOLDERS' FUNDS AS AT BEGINNING OF THE PERIOD</b>	130,443,670	52,505,280
Total Comprehensive Income for the Period	6,274,707	5,291,857
Received on Creation of Units	20,198,166	64,502,500
Paid on Redemption of Units	(149,840)	(223,907)
Net Increase due to Unit holders' Transactions	20,048,326	64,278,593
<b>UNITHOLDERS' FUNDS AS AT PERIOD END</b>	<b>156,766,704</b>	<b>122,075,729</b>

## CASH FLOW STATEMENT

for the 6 month period ended 30 June 2024

	<b>6 month ended 30.06.2024 Rs.</b>	<b>6 month ended 30.06.2023 Rs.</b>
<b>Cash Flows from Operating Activities</b>		
Finance Income received on Mudaraba Investments	257,370	155,458
Wakala income received	14,533,099	3,082,481
Management Fees and Trustee Fees Paid	(548,690)	(363,965)
Audit Fees Paid	(204,696)	(176,813)
Other Expenses Paid	(1,177,602)	(394,793)
Net Investment in Mudaraba Term Investments	(7,576,130)	12,400,000
Net Investment in Wakala Agreement Investments	(11,111,360)	(28,997,180)
<b>Net Cash Flow Generated from / (Used in) Operating Activities</b>	<b><u>(5,828,009)</u></b>	<b><u>(14,294,812)</u></b>
<b>Cash Flows from Financing Activities</b>		
Cash Received on Creation of Units	20,198,166	64,502,500
Cash Paid on Redemption of Units	(149,840)	(223,907)
<b>Net Cash (Used in) / Generated from Financing Activities</b>	<b><u>20,048,326</u></b>	<b><u>64,278,593</u></b>
Net Increase / (Decrease) in Cash and Cash Equivalents	14,220,317	49,983,781
Cash and Cash Equivalents at the beginning of the period	58,054,104	24,924,881
<b>Cash and Cash Equivalents at the end of the period</b>	<b><u>72,274,421</u></b>	<b><u>74,908,663</u></b>

## NOTES TO THE INTERIM FINANCIAL STATEMENTS

for the 6 month period ended 30 June 2024

- All figures for the six month period ended 30 June 2024 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.
- There were no changes to the Accounting Policies and methods of computation since the publication of the Annual Report 2023.

<b>3. INVESTMENT INCOME</b>	<b>6 month ended 30.06.2024</b>	<b>6 month ended 30.06.2023</b>
	<b>Rs.</b>	<b>Rs.</b>
Finance Income from		
Mudaraba Savings	257,370	162,337
Mudaraba Term Deposits	343,057	965,002
	<b>600,427</b>	<b>1,127,338</b>

### 4. 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.

<b>5. CASH AND CASH EQUIVALENTS</b>	<b>As at 30.06.2024</b>	<b>As at 31.12.2023</b>
	<b>₹</b>	<b>Rs.</b>
Cash at Bank	10,643,654	1,990,565
Mudaraba Savings Investment	16,489,280	11,728,660
Mudaraba Terms Investment (less than three months)	-	-
Wakala Investment (less than three months)	45,141,488	44,334,879
	<b>72,274,422</b>	<b>58,054,104</b>

### 6. FINANCIAL INVESTMENTS - FINANCING AND RECEIVABLES

Mudaraba Term Deposits (More than three months)	6,784,989	6,459,085
Wakala Investments (More than three months)	78,113,742	67,002,382
	<b>84,898,731</b>	<b>73,461,467</b>

### 7. ACCRUED EXPENSES

Fund Manager Fee Payable	151,175	66,157
Trustee and Custodian Fee Payable	89,821	43,550
Audit and Tax Consultancy Fee Payable	165,453	262,194
Unidentified Deposit	-	700,000
	<b>406,449</b>	<b>1,071,901</b>

## NOTES TO THE INTERIM FINANCIAL STATEMENTS

for the 6 month period ended 30 June 2024

8. There were no related party unitholders as at the reporting date.
9. Units in issue as at 30 June 2024 is 9,195,302.70
10. There are no material contingencies existing as at the 30 June 2024 that require adjustments to, or disclosure in the Interim Report.
11. There have no material events occurring after the 30 June 2024 that require adjustments or disclosure in the Interim Report.
12. The Fund does not have significant Capital Commitments as at the 30 June 2024.
13. **RECONCILIATION BETWEEN THE NET ASSET VALUE AS PER THE INTERIM REPORT AND THE PUBLISHED NET ASSET VALUE**

	As at 30.06.2024 Rs.	As at 31.12.2023 Rs. (Audited)
Net Asset Value (Net Assets Attributable to Unit Holders) as per the Financial Statements	156,766,704	130,443,742
Other adjustments	-	-
Published Net Asset Value	<u>156,766,704</u>	<u>130,443,742</u>
Number of units outstanding	9,195,302.7	8,018,565.9
Published Net Asset Value per unit	<u>17.05</u>	<u>16.27</u>

## MANAGEMENT COMPANY INFORMATION

### Managing Company (Registered Address)

Senfin Asset Management (Pvt) Ltd  
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Colombo 03.  
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### Managing Company (Correspondence Address)

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