

SENFIN ASSET MANAGEMENT (PVT) LTD

SENFIN SHARIAH INCOME 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 Income Fund for the six months ending June 2023.

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.¹

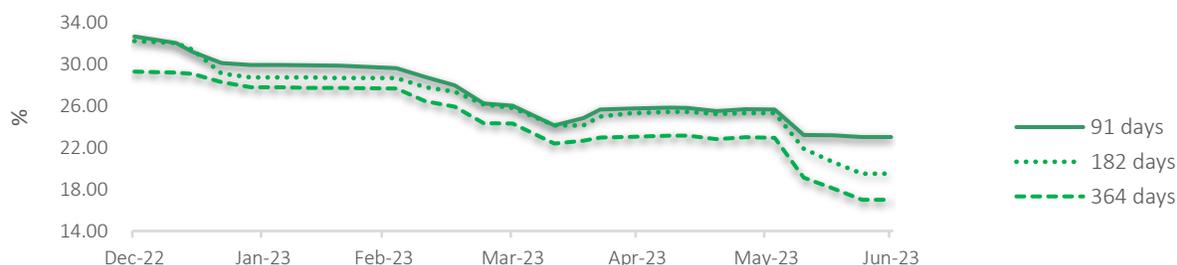
Despite the policy rate increases in March 2023, the six-months under review saw Treasury bill yields gradually easing throughout from the highs of 2022. The benchmark 03, 06 and 12-month yields decreased from 32.64%, 32.20% and 29.27% respectively as at the end of December 2022 to 23.00%, 19.49% and 16.99% respectively as at the end of June 2023². 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.

Movement in Monetary policy



Source: Central Bank of Sri Lanka

Treasury Bill Rate Movement

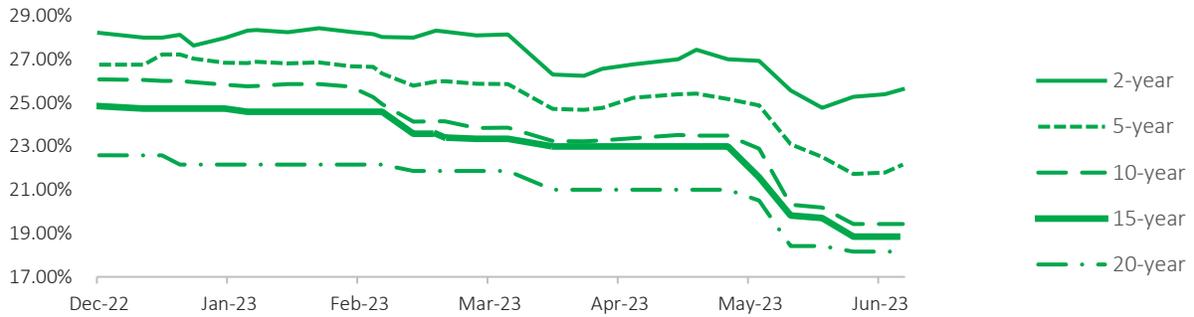


Source: Central Bank of Sri Lanka

¹ Central Bank of Sri Lanka, Monetary Policy Review

² Central Bank of Sri Lanka, Rates on Government Securities

Treasury Bond Rate Movement



Source: Central Bank of Sri Lanka

Following the policy rates cuts, the Average Weighted Prime Lending Rate (AWPR) adjusted downwards reaching 19.47% at the ending of the June 2023 compared to its peak of 29.67% in November 2022.

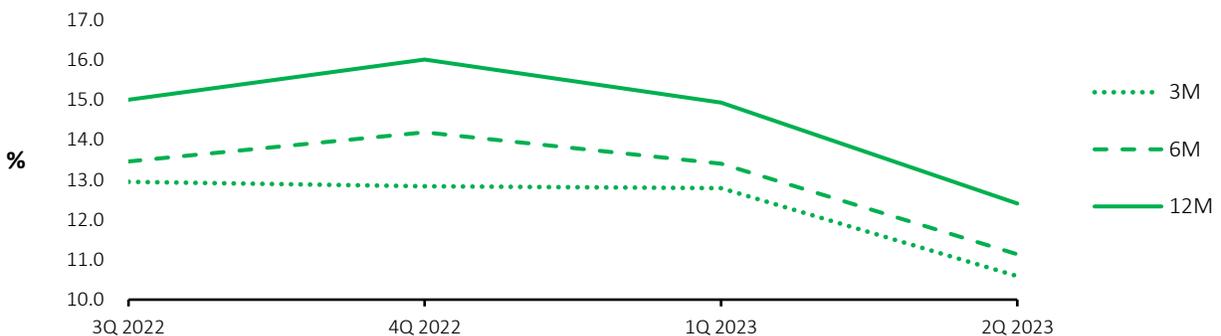
Movement of AWFDR and AWPLR of Commercial Banks (% p.a.) at month-end



Source: Central Bank of Sri Lanka

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.

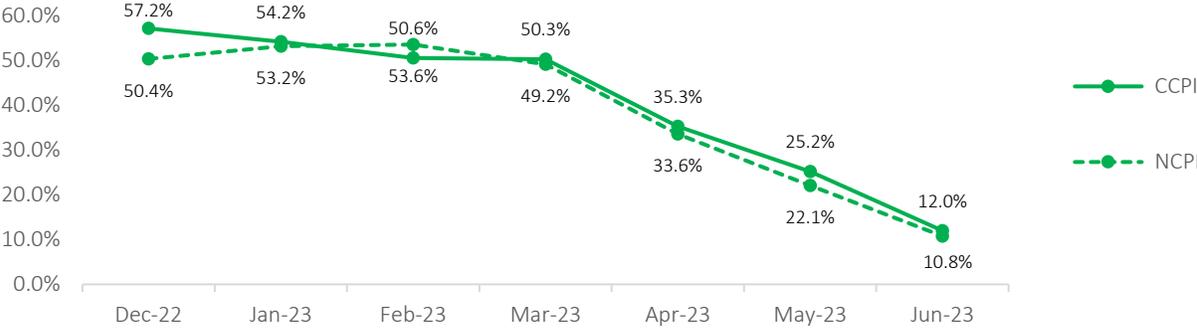
Average Return on Mudarabah Term Deposits



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 period³. 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

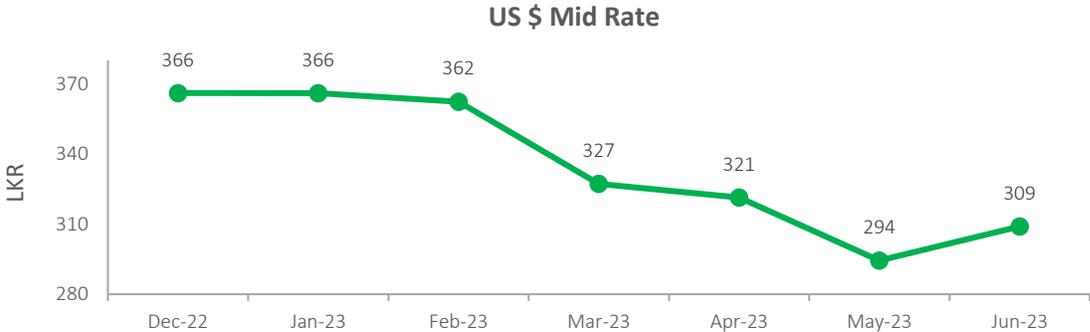


* CCPI Dec 2022, CCPI Jan 2023 & NCPI Dec 2022 are based on 2013=100 Base year

Source: Department of Census & Statistics

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.

Movement in the USD/LKR Rate



Source: Central Bank of Sri Lanka

³ Statistics Department

Fund Performance

During the period under review, Senfin Shariah Income Fund posted an annualized return of 16.39%.

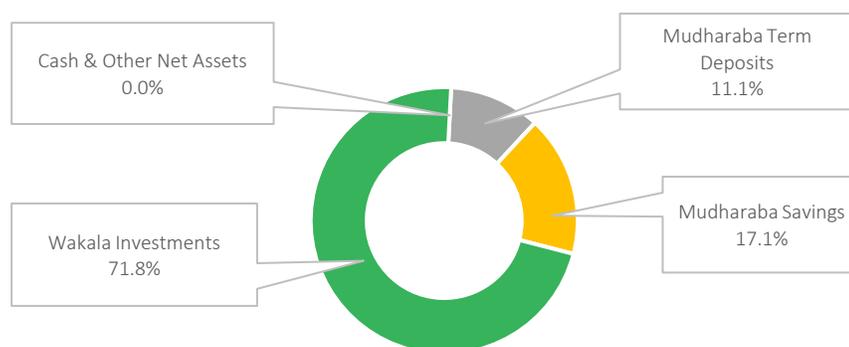
Fund Performance as at 30th June 2023

Period	YTD	6M	3M	1M
Fund Return	16.39%	16.39%	14.79%	14.80%

Source: Senfin Asset Management (Pvt) Ltd

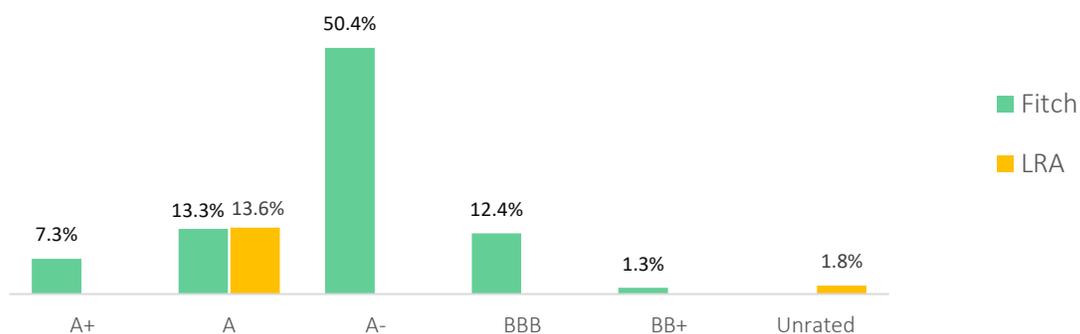
Note: Performance data is net of management fees and taxes. Returns are annualized.

Asset Allocation as a percentage of Total Net Assets as at 30th June 2023 (Net of payables)



Source: Senfin Asset Management (Pvt) Ltd

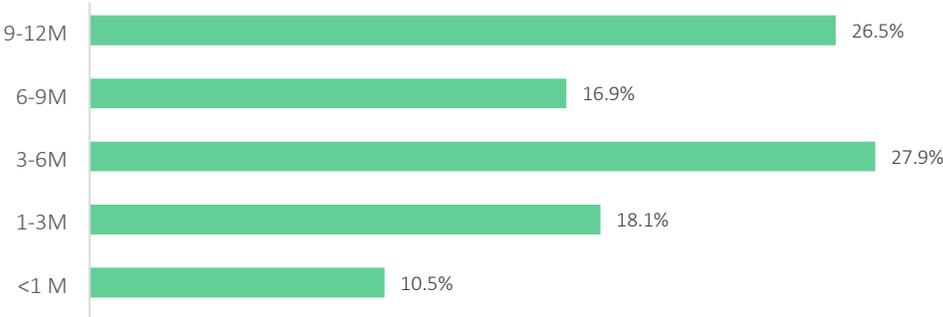
Credit Profile of the Fund as at 31st December 2022



* Instrument rating of A assigned by ICRA Lanka at the time of investment, but the rating agency has ceased operations in Nov 2022.

Source: Senfin Asset Management (Pvt) Ltd

Maturity Profile of the Fund as at 30th June 2023



Source: Senfin Asset Management (Pvt) Ltd

Mudarabah rates have also dropped from their peak in line with the decrease in conventional interest rates. It is anticipated that they will continue to follow a similar trend in the second half of 2023.

Given the prevailing economic conditions and market volatility, our conservative approach 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 2023

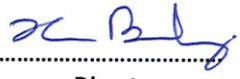
		6 month ended	6 month ended
	Notes	30.06.2023	30.06.2022
		Rs.	Rs.
INCOME			
Finance Income from Mudaraba Investments	3	1,127,338	483,439
Finance Income from Wakala Investments		5,121,725	1,318,887
Other Income		-	20,374
		<u>6,249,064</u>	<u>1,822,701</u>
EXPENSES			
Management Fees		(204,814)	(143,837)
Trustee Fees		(200,768)	(168,400)
Audit Fees		(108,634)	(92,011)
WHT Expenses		(391,905)	-
Other Expenses		(51,086)	(43,331)
		<u>(957,207)</u>	<u>(447,579)</u>
NET PROFIT BEFORE INCOME TAX		5,291,857	1,375,122
Income Tax Expense	4	-	-
NET PROFIT AFTER INCOME TAX FOR THE PERIOD		<u>5,291,857</u>	<u>1,375,122</u>
INCREASE IN NET ASSET ATTRIBUTABLE TO UNIT HOLDERS		<u>5,291,857</u>	<u>1,375,122</u>

STATEMENT OF FINANCIAL POSITION

As at 30 June 2023

	Notes	As at 30.06.2023 Rs.	% NAV	As at 31.12.2022 Rs. (Audited)	% NAV
ASSETS					
Cash and cash equivalents	5	74,908,663	61.36%	24,924,881	47.50%
Financial assets - financing and receivables	6	47,492,223	38.90%	27,883,919	53.13%
		<u>122,400,886</u>	<u>100.27%</u>	<u>52,808,800</u>	<u>100.63%</u>
LIABILITIES					
Accrued Expenses	7	325,158	0.27%	330,440	0.63%
Total Liabilities		<u>325,158</u>	<u>0.27%</u>	<u>330,440</u>	<u>0.63%</u>
NET ASSET		<u>122,075,729</u>	<u>100.00%</u>	<u>52,478,360</u>	<u>100.00%</u>
UNIT HOLDERS' FUNDS					
Net Assets Attributable to Unit holders		<u>122,075,729</u>		<u>52,478,360</u>	

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 6 month period ended 30 June 2023

	6 month ended 30.06.2023 Rs.	6 month ended 30.06.2022 Rs.
UNITHOLDERS' FUNDS AS AT BEGINNING <small>There were no changes to the Account</small>	52,505,280	47,777,949
Total Comprehensive Income for the Period	5,291,857	1,375,122
Received on Creation of Units	64,502,500	16,000
Paid on Redemption of Units	(223,907)	-
Net Increase due to Unit holders' Transactions	64,278,593	16,000
UNITHOLDERS' FUNDS AS AT PERIOD END	122,075,729	49,169,071

CASH FLOW STATEMENT

for the 6 month period ended 30 June 2023

	6 month ended 30.06.2023 Rs.	6 month ended 30.06.2022 Rs.
Cash Flows from Operating Activities		
Finance Income received on Mudaraba Investments	155,458	387,580
Wakala income received	3,082,481	1,495,662
Management Fees and Trustee Fees Paid	(363,965)	(312,148)
Audit Fees Paid	(176,813)	(185,542)
Other Expenses Paid	(394,793)	(77,358)
Net Investment in Mudaraba Term Investments	12,400,000	5,000,000
Net Investment in Wakala Agreement Investments	(28,997,180)	16,569,320
Net Cash Flow Generated from / (Used in) Operating Activities	(14,294,812)	22,877,514
Cash Flows from Financing Activities		
Cash Received on Creation of Units	64,502,500	16,000
Cash Paid on Redemption of Units	(223,907)	-
Net Cash (Used in) / Generated from Financing Activities	64,278,593	16,000
Net Increase / (Decrease) in Cash and Cash Equivalents	49,983,781	22,893,514
Cash and Cash Equivalents at the beginning of the period	24,924,881	8,685,536
Cash and Cash Equivalents at the end of the period	74,908,663	31,579,051

NOTES TO THE INTERIM FINANCIAL STATEMENTS

for the 6 month period ended 30 June 2023

- 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.
- There were no changes to the Accounting Policies and methods of computation since the publication of the Annual Report 2022.

3. INVESTMENT INCOME	6 month ended 30.06.2023	6 month ended 30.06.2022
	Rs.	Rs.
Finance Income from		
Mudaraba Savings	162,337	39,921
Mudaraba Term Deposits	965,002	443,518
	<u>1,127,338</u>	<u>483,439</u>

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.

5. CASH AND CASH EQUIVALENTS	As at 30.06.2023	As at 31.12.2022
	Rs.	Rs.
Cash at Bank	75,688	379,533
Mudaraba Savings Investment	12,776,497	4,925,076
Mudaraba Terms Investment (less than three months)	12,400,000	-
Wakala Investment (less than three months)	49,656,477	19,620,272
	<u>74,908,663</u>	<u>24,924,881</u>

6. FINANCIAL INVESTMENTS - FINANCING AND RECEIVABLES

Mudaraba Term Deposits (More than three months)	1,100,287	12,593,200
Wakala Investments (More than three months)	46,391,936	15,290,719
	<u>47,492,223</u>	<u>27,883,919</u>

7. ACCRUED EXPENSES

Fund Manager Fee Payable	59,864	26,608
Trustee and Custodian Fee Payable	40,919	32,556
Audit and Tax Consultancy Fee Payable	224,375	271,276
	<u>325,158</u>	<u>330,440</u>

NOTES TO THE INTERIM FINANCIAL STATEMENTS

for the 6 month period ended 30 June 2023

8. There were no related party unitholders as at the reporting date.
9. Units in issue as at 30 June 2023 is 8,030,081.00
10. There are no material contingencies existing as at the 30 June 2023 that require adjustments to, or disclosure in the Interim Report.
11. There have no material events occurring after the 30 June 2023 that require adjustments or disclosure in the Interim Report.
12. The Fund does not have significant Capital Commitments as at the 30 June 2023.
13. **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	122,075,729	52,478,360
Other adjustments	-	26,920
Published Net Asset Value	<u>122,075,729</u>	<u>52,505,280</u>
Number of units outstanding	8,030,081.0	3,734,485.3
Published Net Asset Value per unit	<u>15.20</u>	<u>14.06</u>

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
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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

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Attorneys-at-Law
No. 97A, Galle Road
Colombo 03
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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