



# CEYBANK HIGH YIELD FUND

Interim Report

**30th June 2020**

“The SEC in granting approval does not extend to either endorsing or ratifying the accuracy of the specific details set out therein, and that the Management Company and Trustee remains at all times responsible for the specific details set out in the Interim Report.”

## CEYBANK HIGH YIELD FUND - Interim Report 2020

### REPORT OF THE MANAGER

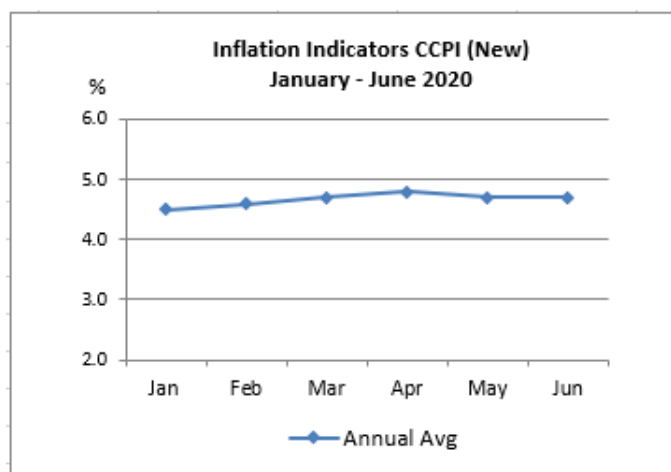
We have great pleasure in presenting the Interim Report and Accounts of the Ceybank High Yield Fund for the six-month period ended 30<sup>th</sup> June 2020.

The Net Asset Value per unit of your Fund appreciated by 5.36% (AER 11.03%) during the period, 31<sup>st</sup> December 2019 to 30<sup>th</sup> June 2020.

### Economy

The Sri Lankan Economy recorded a contraction in GDP of 1.6% for the 1<sup>st</sup> quarter of 2020.

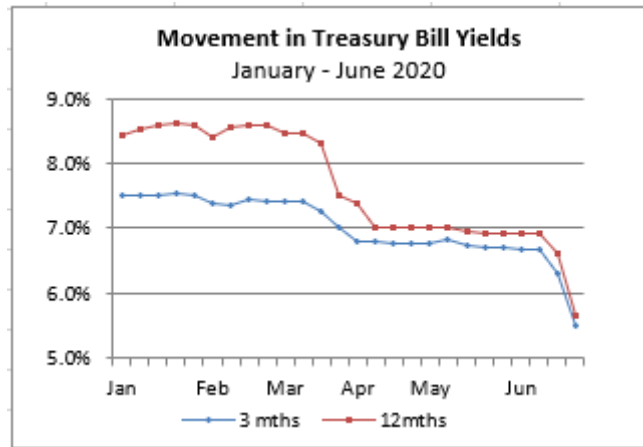
Average Annual Inflation measured by the CCPI (New) which was at 4.5% at the beginning of the year, increased gradually and ending marginally higher at 4.7% in June 2020.



Market interest rates declined continuously during the period. The benchmark 12-month Treasury bill rate which was at 8.45% in January closed lower at 5.66% by the end of June. The long-term Treasury bond market continued to be volatile. The premium to Treasuries offered on Corporate Debt remained between 2% - 3%.

Overnight call money rates moved within a band of 5.50% and 9.00% p.a. The exchange rate which was at 181.50 (Rs/US\$) at the beginning of the year witnessed a depreciation of 2.60% during the period under review. The Rupee was quoted at 186.23 (Rs/ US\$) as at 30th June 2020.

During the period under review, the Central Bank reduced the Standard Deposit Facility Rate (SDFR) and Standard Lending Facility Rate (SLFR) four times (by a total of 100 basis points). As at end June 2020 the rates on the SDFR and SLFR were 5.50% and 6.50% respectively. The Statutory Reserve Ratio (SRR) for Commercial Banks' was reduced twice (by a total of 300 basis points) and was at 2%.



## Fund Performance

The Net Asset Value per unit of your Fund appreciated by 5.36% (AER 11.03%) during the period under review.

The Fund generated a net income of Rs 16.86 million during the period under review. The Fund is invested in a mix of Treasury Bill Repos and Corporate Securities with maturities less than a year.

## Future Outlook

The Covid Pandemic continues to have its effects on the economy which is expected to contract at around 3.0% in 2020, before bouncing back. The Future outlook on growth will depend on Government policy direction and its execution.

It is apparent that import substitution and local manufacturing will be given priority as the country is faced with large foreign exchange debts to repay, both in the short and medium term. We expect Import controls to be selective given the dependency of some sectors on imported raw materials used for value addition and export.

Agriculture if harnessed well, could play a large role in maintaining food security and additionally supplement exports. If weather conditions are favorable it would help boost Agriculture and also reduce the cost of power generation via Hydro Electricity. The Tourism industry is bound to face multiple challenges with the Airport remaining closed and may take time to recover. Volatile crude oil prices globally could add pressure on the import bill.

Trade wars, recessions and other conflicts in the international scene has increased. Sri Lanka too is bound to feel its effects, especially in the export sector.

Attracting Foreign Direct Investments continues to be a challenge. Portfolio investments are expected to be slow, on global uncertainty. We expect interest rates to remain around current levels and until the end of the year on lower credit growth. Lower Interest rates globally will also help reduce the cost of borrowing internationally, to settle foreign debt.

The Fund being a Money Market Fund is invested in a mix of Government securities and Corporate Debt within a one-year maturity period. The Managers will continue to monitor the interest rate environment and make changes to the investment profile, to fulfill the Fund objective of providing liquidity while maximizing returns for the investor.

SGD  
 Ian Ferdinands  
 Acting CEO  
 30 September 2020

## CEYBANK HIGH YIELD FUND

### Statement of comprehensive income

(all amounts in Sri Lanka Rupees)

	Period from 1 January to 30 June 2020	Period from 1 January to 30 June 2019
<b>Income</b>		
Net Income on Financial Assets	16,867,197	14,537,426
<b>Total investment income</b>	<b>16,867,197</b>	<b>14,537,426</b>
<b>Operating Expenses</b>	(1,501,889)	(1,741,263)
	<b>(1,501,889)</b>	<b>(1,741,263)</b>
<b>Net operating profit before tax</b>	<b>15,365,308</b>	<b>12,796,163</b>
Income tax expense	-	-
<b>Increase in net assets attributable to unitholders</b>	<b>15,365,308</b>	<b>12,796,163</b>

## CEYBANK HIGH YIELD FUND

### Statement of financial position

(all amounts in Sri Lanka Rupees)

	30 June 2020	30 June 2019
<b>ASSETS</b>		
Cash and cash equivalents	796,353	9,934,893
Financial Assets at Amortized Cost	342,000,015	209,259,660
<b>Total assets</b>	<b>342,796,368</b>	<b>219,194,553</b>
<b>UNITHOLDERS' FUNDS AND LIABILITIES</b>		
<b>Liabilities</b>		
Money Payable on Unit redemption	428,683	9,236,039
Repurchase Agreement	-	4,005,935
Other payables	784,106	365,866
<b>Total liabilities (excluding net assets attributable to unitholders)</b>	<b>1,212,789</b>	<b>13,607,840</b>
<b>Net assets attributable to unitholders – liability</b>	<b>341,583,579</b>	<b>205,586,713</b>
<b>Total unitholders' funds and liabilities</b>	<b>342,796,368</b>	<b>219,194,553</b>

### Statement of changes in unitholders' funds

(all amounts in Sri Lanka Rupees)

	30 June 2020	30 June 2019
<b>Unitholders' funds at beginning of the year</b>	262,414,841	205,189,800
Increase in net assets attributable to unit holders	15,365,308	12,796,163
Received on unit creations	101,938,631	31,042,704
Paid on unit redemptions	(38,135,201)	(43,441,954)
<b>Unitholders' funds at 30th June</b>	<b>341,583,579</b>	<b>205,586,713</b>