

ASIA
SECURITIES



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WEALTH MANAGEMENT

Asia Securities Money Market Fund

ANNUAL REPORT 2020/2021



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ASIA SECURITIES WEALTH MANAGEMENT (PVT) LIMITED

Asia Securities Wealth Management (Pvt) Ltd. (ASWM) provides wealth management services for individuals, corporates, and institutions. The company was launched in October 2018, with a largest AUM for a new wealth manager in Sri Lanka.

The company is a fully owned subsidiary of Asia Securities Holdings (Pvt) Ltd and is licensed to operate as an Investment Manager by the Securities and Exchange Commission of Sri Lanka.

Asia Securities Holdings (Pvt) Ltd is a leading investment bank in Sri Lanka providing wealth management, M&A advisory, equity brokerage, and research services through its subsidiary companies.

BOARD OF DIRECTORS



Dumith Hemantha Fernando
Chairman,
Asia Securities

Dumith Fernando is the Chairman of Asia Securities (Pvt) Ltd, a leading independent Investment Banking, Research, and Stock Broking firm in Sri Lanka. He has over two decades of experience in international Investment Banking, based in New York and Hong Kong with the US bank J.P. Morgan Chase & Co. and the Swiss bank Credit Suisse AG. Until 2013, he was Managing Director and Group Chief Operating Officer for the Asia Pacific region at Credit Suisse – a business with over USD 2.5bn in revenue across 12 countries, and a member of the Global Leadership Council.

He is the Chairman of the Colombo Stock Exchange, and a Director of Singer Sri Lanka PLC, and Union Assurance PLC. He is also a Senior Advisor to Tybourne Capital Management (in Hong Kong) a leading Asia-based investment management firm, and non-executive Chairman of several start-up companies.

He holds a BA (Honors) in Physics & Economics from Middlebury College in the US. and an MBA from Harvard Business School.



Harold Avancka Herat
Chief Executive Officer,
Asia Securities Wealth Management

Avancka Herat is the Chief Executive Officer at Asia Securities Wealth Management(Pvt) Limited. Prior to the current appointment he was the Chief Executive Officer at National Asset Management (Pvt) Ltd (NAMAL) from 2011 to 2018.

He functioned as the Chief Investment Officer of Aegis Fund Management(fund manager for Sri Lanka Insurance Corporation) in 2004-2010 with an AUM of USD 600mn (LKR 93bn), where he was responsible for articulating overall investment strategy and execution of asset allocation for both equity and debt markets. Through his career he has worked at Caltex Ceylon, Jardine Fleming HNB Capital, Jardine Fleming HNB Securities, and Lanka Securities. He counts over 25 years of capital markets experience and started his career as an Analyst at Lanka Securities.

Avancka holds a Master's Degree in Business Finance from Brunel University London, UK and a Bachelor's Degree in Business Studies from Swansea University, UK

INVESTMENT COMMITTEE

Permanent Members

Dumith Fernando
Chairman, Asia Securities

Avancka Herat
Chief Executive Officer,
Asia Securities Wealth Management

Pushpika Jeevaratne
Vice President – Compliance,
Asia Securities Wealth Management

Independent Member

Steven Enderby
Accounts for over 25 years of investments
and private equity experience in UK, Asia,
India and Bangladesh. Mr Enderby is the
former CEO, Hemas Group.

MANAGEMENT TEAM



Pushpika Jeevaratne

Vice President – Compliance,
Asia Securities Wealth Management

Pushpika is the Vice President – Compliance at Asia Securities Wealth Management and accounts for over 15 years of capital markets experience. Pushpika was the former Head of Compliance & Risk at National Asset Management Limited (NAMAL).

She is a passed finalist of CIMA and holds BSc in Electronic & Telecommunications Engineering - University of Moratuwa, Sri Lanka.



Sean Baliah, CFA

Portfolio Manager, Vice President,
Asia Securities Wealth Management

Sean Baliah is a portfolio manager at Asia Securities Wealth Management. Prior to the current appointment he was the Head of Research at Asia Securities Wealth Management.

Prior to his appointments at Asia Securities Wealth Management, he was part of YSP Advisors (now known as Asia Securities Advisors) – where he operated as a senior analyst. He was also part of the new projects team at Moody's Analytics (formerly known as Amba Research) where he played an integral part in managing equity research products. Through his career he has worked with global Asset Managers, Hedge Funds, and Investment Banks covering both equity and fixed income instruments. He counts over 5 years of capital markets experience and started his career as an Analyst at Amba Research.

Sean is a CFA Charter Holder, and a CIMA past finalist.

ASIA SECURITIES MONEY MARKET FUND REVIEW

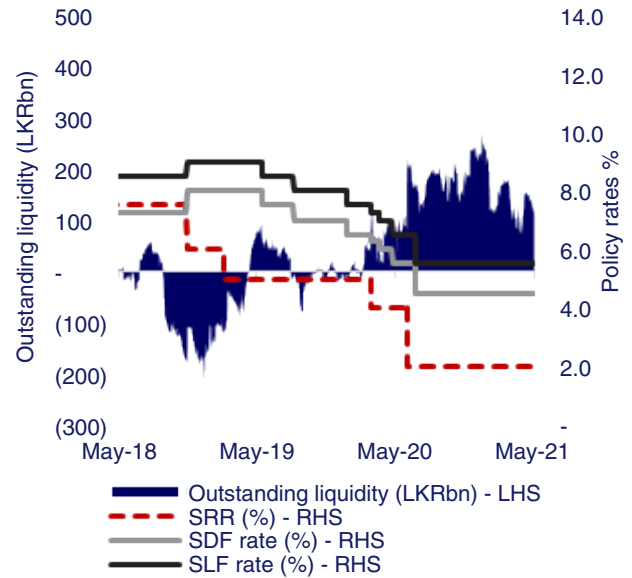
Fund Review for FY20/21 – Asia Securities Money Market Fund

Your fund was launched on the 23rd of December 2020, and successfully grew to record AUM of LKR 378mn by the end of the financial year, despite a challenging environment, returning an annualized return of 6.60% since inception.

The year under review was a challenging year for the entire economy – as COVID - 19 disrupted activity in most sectors. Island wide lockdowns placed the economy under significant stress, compounding job losses amidst losses in lives. As a result, growth came to a standstill – which required a swift, but firm response from policy makers.

In response, the Central Bank of Sri Lanka (CBSL) took quick policy action to revive the economy – by cutting rates and providing financial relief via moratoriums to consumers and businesses. Accordingly, the Standing Lending Facility Rate (SLF) and the Standing Deposit Facility Rate (SDF) were slashed by 250 basis points each to 5.50% and 4.50% respectively and the Statutory Reserve Ratio (SRR) by 300 basis points to 2.00% since January 2020, whilst affected parties received moratoriums up to 6 months.

Fig 1: Policy rates were cut by 250bps



Source: Central Bank of Sri Lanka

Fig 2: 1Y treasury bill rates are at historic lows



Source: Central Bank of Sri Lanka

ASIA SECURITIES MONEY MARKET FUND REVIEW

These unprecedented rate cuts created a surplus in market liquidity, which resulted in market interest rates falling sharply. In this backdrop, interest rates nose-dived across the yield curve with the benchmark 364-day treasury bill rate falling to 5.15% as at year end, from 7.40% at the beginning of the year.

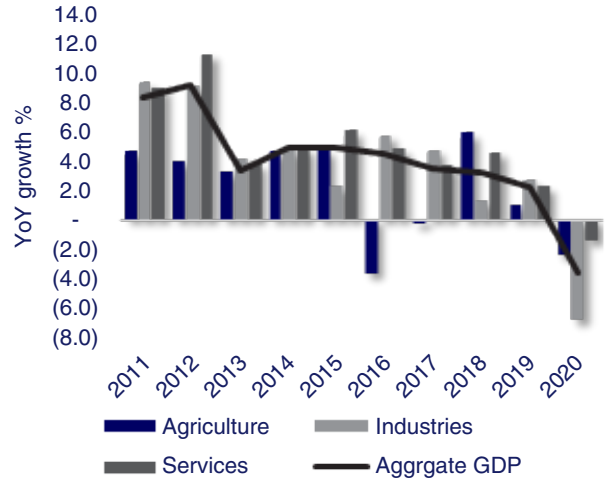
Low market rates helped jumpstart the economy – with private sector credit growth picking up gradually till March 2021. March saw the fastest growth in credit since the beginning of the pandemic – where credit grew by LKR +112bn MoM. However, the pick – up in credit growth was short lived – as the 3rd wave of the corona virus intensified – leading into another series of lockdowns, disrupting economic activity.

Fig 3: Credit growth picked up sharply in March 2021



Source: Central Bank of Sri Lanka

Fig 4: Real GDP growth in 2020, was -3.5%



Source: Department of Census and Statistics

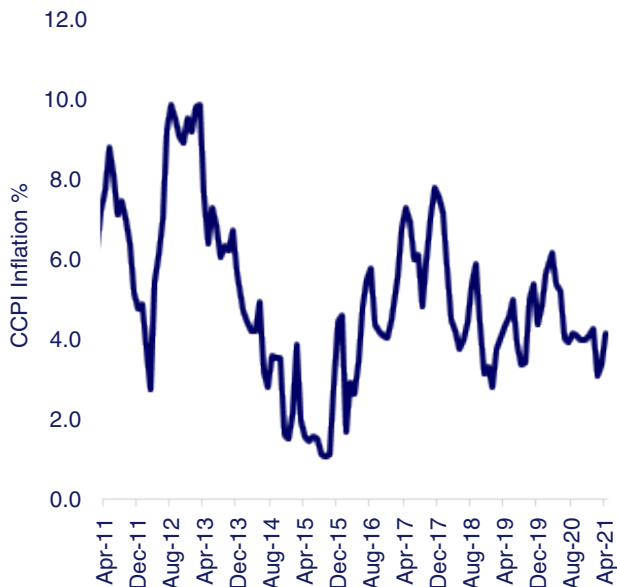
Growth weakened in 2020, as the economy went through multiple lockdowns. The result was a contraction in output by 3.57% for 2020. Growth returned to some level of normalcy in 1Q 2021 – showing signs of a strong rebound. This rebound was short lived due to the 3rd outbreak of the virus.

However, we see the inoculation of vaccines as a positive – and expect at least 20% of the population to be vaccinated by the end of year – a point at which, activity could go back to normal.

Average inflation for the year ending 31st March 2021 was 4.0% - down from 4.7% seen during the year ended 31st March 2020 – driven down by a decline in food inflation.

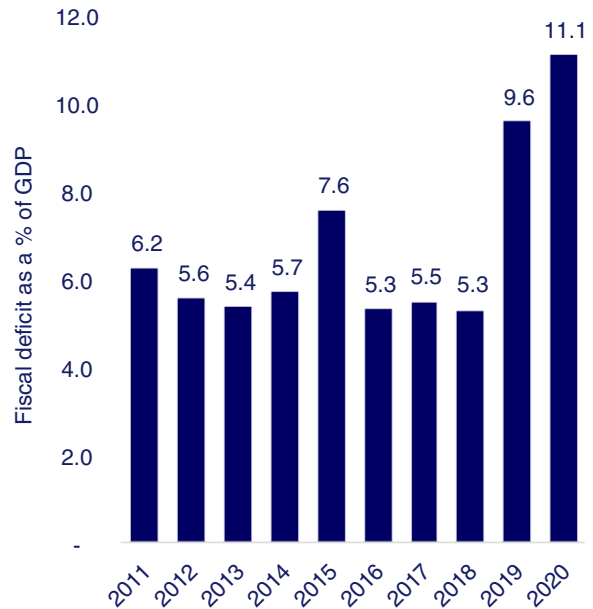
ASIA SECURITIES MONEY MARKET FUND REVIEW

Fig 5: Inflation picked up marginally in 2020 and 2021



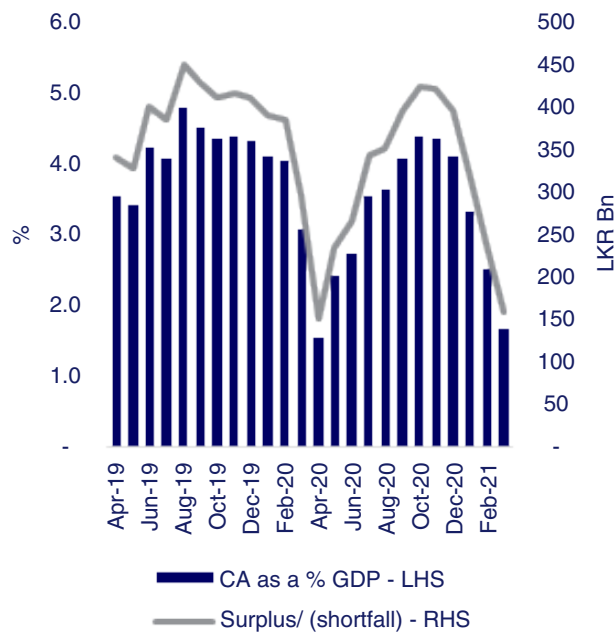
Source: Department of Census and Statistics

Fig 6: Fiscal deficit widened to 11.1% of GDP in 2020



Source: Ministry of Finance

Fig 7: Current account surplus continues to decline

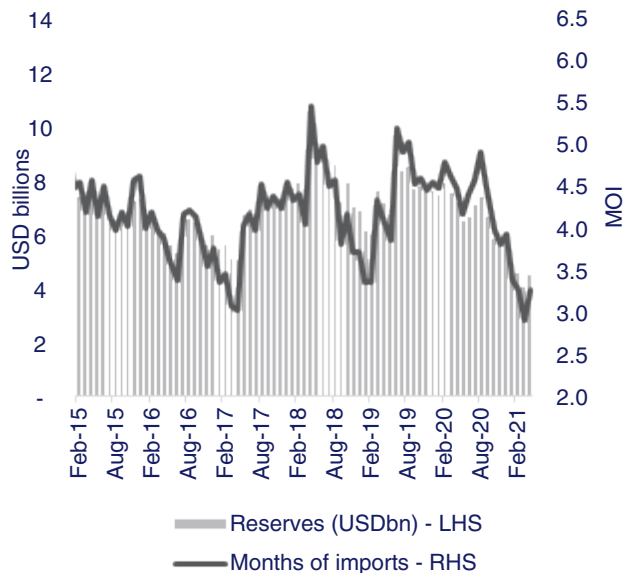


Source: Central Bank of Sri Lanka

Government finances deteriorated sharply in 2020, with the fiscal deficit reaching approx. 11.1% in 2020. However, budget for 2021 remains ambitious, with several optimistic strategies to bridge the revenue gap in the face of COVID-19 and external debt challenges. We expect the fiscal deficit to come in at 11.7% during 2021, as expenditure continues to rise amidst low tax and other government revenues.

ASIA SECURITIES MONEY MARKET FUND REVIEW

Fig 8: Fresh bi-lateral inflows eased pressure on reserves



Source: Central Bank of Sri Lanka

Reserves came under stress during the last 12M, as tourism earnings and export earnings declined sharply, and a large proportion of foreign currency debt matured. Reserves dropped to 2.9x months of Imports in March 2021 from 4.5x months of imports recorded during April 2020. To curb this rapid decline in reserves, the GoSL took rapid measures to curb outflows by implementing several import restrictions. These restrictions were instrumental in backstopping the drain in reserves. Import restrictions are likely to continue till reserve position improves to pre-covid levels. However, at present, we expect limited pressure on reserves, as inflows from bi-lateral lenders continue to come through. The LKR depreciated by 4.7% against the USD during the year under review and closed at LKR 199 / USD.

During the year under review, the Asia Securities Money Market Fund yielded the following returns commensurate with the risk parameters and the objective of the Fund:

Table 1: Return Summary of the Fund

Return %	Annualized return %	AER %
Mar 2021	7.51	7.80
Feb 2021	6.40	6.61
Jan 2021	6.10	6.29
YTD	6.72	6.95
FY20 / 21	6.60	6.83

Source: Asia Securities Wealth Management (Pvt) Limited


Past performance is not a guide to future performance. This report does not constitute a financial promotion, a recommendation, or an offer to sell or a solicitation to buy units in the fund. See Information Memorandum for important information.

Macro Outlook for FY 2021 / 2022e

We expect interest rates to remain low in 2021, as the CBSL continues to maintain excess liquidity in the market, amidst slow private sector credit growth. However, we expect a sharp pickup in rates from the beginning of 2022e – which could potentially peak during mid – CY2022e – driven by widening budget deficits, the large debt servicing burden, and an anticipated recovery in private sector credit.

We also anticipate rapid currency depreciating during the year, as Sri Lanka grapples with low reserves – amidst looming foreign currency denominated loan payments.

Growth is likely to come under pressure in CY2021 due to 1) ongoing lockdowns as the 3rd wave gathers pace and 2) rising inflation due to supply side issues – which would likely diminish consumer spending power. However, we see positives for 2022e – as the vaccination drives picks up – we expect >50% of the population to be vaccinated by the end of CY2021 – thereby enabling economic activity to return to pre-covid levels.



ASIA SECURITIES MONEY MARKET FUND
UNAUDITED FINANCIAL STATEMENTS
for the year ended 31 March 2021

**STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 MARCH 2021 - UNAUDITED**

	Note	2021 LKR	2020 LKR
Investment income			
Interest income	3	5,150,469	-
Total investment income		<u>5,150,469</u>	-
Expenses			
Management fees		(331,849)	-
Trustee fees		(107,519)	-
Custodian fees		(69,593)	-
Audit fees		(72,591)	-
Other expenses		(30,249)	-
Total operating expenses		<u>(611,800)</u>	-
Profit before tax		4,538,669	-
Income tax expense	4	-	-
Profit for the year		<u>4,538,669</u>	-
Other comprehensive income		-	-
Increase in net assets attributable to unit holders		<u><u>4,538,669</u></u>	-


**STATEMENT OF FINANCIAL POSITION
AS AT 31 MARCH 2021 - UNAUDITED**

	Note	31.03.2021 LKR	31.03.2020 LKR
Assets			
Cash and cash equivalents	6	6,993,479	-
Financial assets at amortised cost	7	371,595,035	-
Income tax receivable	5	-	-
Total assets		<u>378,588,514</u>	<u>-</u>
Liabilities			
Accrued expenses	8	301,747	-
Total liabilities		<u>301,747</u>	<u>-</u>
Net assets		<u>378,286,767</u>	<u>-</u>
Unit holders' funds			
Net assets attributable to unit holders		<u>378,286,767</u>	<u>-</u>

The Fund Management Company and the Trustee are responsible for the preparation and presentation of these financial statements in accordance with Sri Lanka Accounting Standards. These financial statements were approved by the Fund Management Company and the Trustee on 07 June 2021.



Director
Asia Securities Wealth Management (Private) Limited
Fund Management Company



Director
Asia Securities Wealth Management (Private) Limited
Fund Management Company

**STATEMENT OF MOVEMENT IN UNITHOLDERS' FUNDS
FOR THE YEAR ENDED 31 MARCH 2021-UNAUDITED**

	2021 LKR	2020 LKR
Unit holders' funds at the beginning of the year	-	-
Profit for the year	4,538,669	-
Creation of units	461,755,809	-
Redemption of units	(88,007,711)	-
Net decrease due to creation and redemption of units	373,748,098	-
Dividend distribution to unit holders	-	-
Unit holders' funds as at 31 March	<u>378,286,767</u>	<u>-</u>

**STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 MARCH 2021 - UNAUDITED**

	2021 LKR	2020 LKR
Cash flows from operating activities		
Interest received	937,875	-
Other expenses paid	(30,249)	-
Management fees and trustee fees paid	(279,805)	-
Net investment from government securities and reverse repurchase agreements	(72,382,441)	-
Net investment from/(in) commercial papers	(55,000,000)	-
Net investment from/(in) fixed deposits	(165,000,000)	-
Net investment from trust certificates	(75,000,000)	-
Net cash generated from operating activities	<u>(366,754,619)</u>	-
Cash flows from financing activities		
Amounts received on unit creations	461,755,809	-
Amounts paid on unit redemptions	(88,007,711)	-
Net cash used in financing activities	<u>373,748,098</u>	-
Net increase in cash and cash equivalents during the year	6,993,479	-
Cash and cash equivalents at the beginning of the year (Note 6)	-	-
Cash and cash equivalents at the end of the year (Note 6)	<u>6,993,479</u>	-

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2021 -UNAUDITED

1. General Information

Asia Securities Money Market Fund (“the fund”) is an open-ended fund approved by the Securities and Exchange Commission of Sri Lanka. The fund was launched on 23rd December 2020. The fund is managed by Asia Securities Wealth Management (Private) Limited which is incorporated and domiciled in Sri Lanka. The registered office of the fund management company is located at 4th Floor, Lee Hedges Tower, No 349, Galle Road, Colombo 03. The trustee and custodian of the fund is Hatton National Bank having its place of business at No 481, T .B. Jayah Mawatha, Colombo 10.

The investment objective is to generate a high interest income while preserving capital and providing liquidity. The Fund will invest into high quality money market instruments with a residual maturity of less than 366-days.

2. Preparation of Financial Statements

The financial statements are prepared and presented in accordance with and comply with the relevant Sri Lanka Accounting Standards issued by the Institute of Chartered Accountants of Sri Lanka. The financial statements have been prepared on the historical cost basis unless otherwise indicated. The financial statements are presented in Sri Lankan rupees (Rs.). Please note that all figures in the financial statements are unaudited.

2.1 Statement of Compliance

The financial statements which comprise the statement of financial position as at 31 March 2021, statement of profit or loss and other comprehensive income, statement of movement in unit holders’ funds and statement of cashflows for the year ended have been prepared and presented in accordance with Sri Lanka Accounting Standards and the requirements of the Unit Trust Deed and Unit Trust Code of the Securities and Exchange Commission of Sri Lanka.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2021 - UNAUDITED**

	2021	2020
	LKR	LKR
3 Investment income		
3.1 Interest on		
Fixed deposits	1,812,716	-
Commercial papers	873,562	-
Government securities and repurchase agreements (3.1.2)	391,365	-
Trust certificates	982,466	-
Interest on money market bank accounts	405,434	-
Placement fee income	684,926	-
	<u>5,150,469</u>	<u>-</u>

3.1.1 Income is recognised on accrual basis.

3.1.2 Notional tax is not applicable as per the New Inland Revenue Act No. 24 of 2017.

	2021	2020
	LKR	LKR
4 Income tax expenses		
Tax expense for the year (4.1)	-	-
	<u>-</u>	<u>-</u>

4.1 No Income tax is recognised in the financial statements as the fund has considered all income as being pass through its unit holders

	31.03.2021	31.03.2020
	LKR	LKR
5 Income tax receivable		
Income tax receivable	-	-
	<u>-</u>	<u>-</u>

	31.03.2021	31.03.2020
	LKR	LKR
6 Cash and cash equivalents		
HNB Current Account	25,000	-
HNB Money Market Account	6,968,479	-
	<u>6,993,479</u>	<u>-</u>

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2021 - UNAUDITED**

			31.03.2021	31.03.2020
			LKR	LKR
7	Financial assets - Amortised cost			
	Commercial Papers (Note 7.1)		55,873,562	-
	Fixed Deposits (Note 7.2)		166,812,716	-
	Trust Certificates (Note 7.3)		75,982,466	-
	Repurchase Agreements (Note 7.4)		72,391,365	-
	Placement fee receivable		534,926	-
			<u>371,595,035</u>	<u>-</u>
		31.03.2021	Holdings	31.03.2020
		LKR	as a % of	Holdings
			net asset	as a % of
			value	net asset
			LKR	value
7.1	Commercial Papers			
	Softlogic Holding PLC	15,402,740	4.1%	-
	LOLC Holdings PLC	15,322,192	4.1%	-
	LOLC Holdings PLC	25,148,630	6.6%	-
		<u>55,873,562</u>	<u>14.8%</u>	<u>-</u>
7.2	Fixed Deposits			
	Abans Finance PLC	15,265,775	4.0%	-
	Asia Asset Finance PLC	15,257,293	4.0%	-
	Abans Finance PLC	5,080,663	1.3%	-
	Ideal Finance Ltd	20,318,811	5.4%	-
	Commercial Leasing & Finance PLC	20,291,923	5.4%	-
	Ideal Finance Ltd	15,141,160	4.0%	-
	LOLC Development Finance	15,138,279	4.0%	-
	LOLC Development Finance	15,126,756	4.0%	-
	Commercial Credit & Finance PLC	25,134,438	6.6%	-
	LOLC Development Finance	20,057,616	5.3%	-
		<u>166,812,716</u>	<u>44.1%</u>	<u>-</u>

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2021 - UNAUDITED**

7.3 Trust Certificates				
Commercial Credit & Finance PLC	25,361,644	6.7%	-	-
Softlogic Holdings PLC	10,169,863	2.7%	-	-
Fintrex PLC	30,355,068	8.0%	-	-
Softlogic Holdings PLC	10,095,890	2.7%	-	-
	<u>75,982,466</u>	<u>20.1%</u>	<u>-</u>	<u>-</u>

7.4 Repurchase Agreements				
Acuity Securities	72,391,365	19.1%	-	-
	<u>72,391,365</u>	<u>19.1%</u>	<u>-</u>	<u>-</u>

		31.03.2021	31.03.2020
		LKR	LKR
8	Accrued expenses		
	Management fees payable	156,452	-
	Trustee fees payable	50,690	-
	Custodian fees payable	22,014	-
	Audit and tax consultancy fees payable	72,591	-
		<u>301,747</u>	<u>-</u>

9 Contingencies

There were no significant contingencies existing as at the reporting date that required adjustments to or disclosures in the financial statements.

10 Events occurring after reporting date

There have been no significant events occurring after the reporting date that required adjustments to or disclosures in the financial statements.

11 Capital commitments

There were no significant capital and financial commitments as at the reporting date.

12 Units in issue and unit price

No. of units in issue and deemed to be in issue as at 31 March 2021 was 37,169,311.18 and net assets value per unit as at 31 March 2021 was Rs. 10.1773

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2021 - UNAUDITED**

13 Related party disclosure

13.1 Management company and trustee

The Management Company is Asia Securities Wealth Management (Private) Limited.

Hatton National Bank had been appointed as trustee with effect from 15 October 2020.

13.2 Key management personnel

Key management personnel include persons who were directors of Asia Securities Wealth Management (Private) Limited at any time during the financial year.

Directors

1. Mr. Dumith Fernando
2. Mr. Avancka Herat

13.3 Key management personnel compensation

There were no payments made to the directors of Asia Securities Wealth Management (Private) Limited during the year by the fund.

13.4 Other transactions within the Fund

Apart from those details disclosed in note 13.5 and 13.6, key management personnel have not entered any other transactions involving the Fund during the financial year.

13.5 Related party unit holding and other transactions

The following are the units held by related parties.

	Relationship	No. of Units	Value of units held	Total interest held as a % of NAV	Distribution paid/reinvested by the Fund during the year
			LKR		LKR
As at 31 March 2021					
Unit holders					
Mr. Avancka Herat	Chief Executive Officer	562,730.5	5,727,077	1.51%	-
Asia Securities Wealth Management (Pvt) Ltd	Management Company	2,096,621.2	21,337,943	5.64%	-

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2021 - UNAUDITED**

13.6 Transactions with and amounts due to related parties

Fees were charged by the management company and trustee for services provided during the year and the balances outstanding from such dues as at year end are as disclosed below:

	Charge for the year 31-Mar		Payable as at 31-Mar	
	2021 LKR	2020 LKR	2021 LKR	2020 LKR
Management fees	331,849	-	156,452	-
Trustee fees with HNB	107,519	-	50,690	-
Custodian fee	69,593	-	22,014	-
Bank balance held at HNB as at 31 March			25,000	-
Money Market account balance held at HNB as at 31 March			6,968,479	-

14 Reconciliation between the net asset value as per financial statements and the published net asset value

	2021 LKR	2020 LKR
Net asset value as per financial statements	378,286,767	-
Income tax receivable (Note 5)	-	-
Published net asset value	378,286,767	-
Published number units as at 31 March	37,169,311	-
Net asset value per unit	10.1773	-

CORPORATE INFORMATION

MANAGEMENT COMPANY

Asia Securities Wealth Management (Pvt) Limited
4th Floor, Lee Hedges Tower,
349, Galle Road, Colombo 3

TRUSTEE & CUSTODIAN

Hatton National Bank PLC
479, T.B. Jaya Mawatha, Colombo 10

AUDITORS

Pricewaterhouse Coopers,
100, Braybrooke Place, Colombo 2

LAWYERS

Nithya Partners
97/A, Galle Main Road, Colombo 3

BANKERS

Hatton National Bank PLC
479, T.B. Jaya Mawatha, Colombo 10



DECLARATION BY THE TRUSTEES AND MANAGEMENT COMPANY

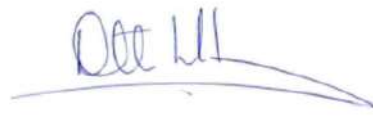
This declaration is issued in line with the SEC Circular No. 02/2009 on Guidelines for Trustees and Managing Companies of Unit Trusts Funds, by the Trustees and Management Company. Hatton National Bank PLC, the Trustee and Asia Securities Wealth Management (Pvt) Ltd, the Managers of the Asia Securities Money Market Fund hereby declare that;

1. The requirements of the Guidelines for Trustees and Managing Companies of Unit Trust Funds set by the Securities and Exchange Commission of Sri Lanka have been complied with during the year.

2. The transactions were and will be carried out at an arm's length basis and on terms which are best available for the fund, as well as act, at all times, in the best interest of the fund's unit holder.



Director
Management Company



Director
Management Company



Authorized Signatories
Trustee

