





03	Board of Directors
04	Investment Committee
05	Management Team
07	Investment Manager's Report
12	Financial Statements
38	Corporate information
39	Declaration by Trustees & Management Company

About Asia Securities Wealth Management ( Pvt ) Limited

02

39





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, and equity brokerage, and research services through its group companies.

# **BOARD OF DIRECTORS**



Dumith Hemantha Fernando Chairman, Asia Securities Wealth Management

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 U.S. 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 was the immediate past 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 U.S. and an MBA from Harvard Business School.



Harold Avancka Herat
Director,
Asia Securities Wealth Management

Avancka Herat is an Executive Director 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 Wealth Management

Avancka Herat Director, Asia Securities Wealth Management

Kanishka Perera Chief executive Officer, Asia Securities Wealth Management

Pushpika Jeevaratne Vice President – Compliance, Asia Securities Wealth Management

## **Independent Member**

Steven Enderby Accounts for over 25 yrs of Investments and private equity experience in UK, Asia, India and Bangladesh and Mr Enderby was the former CEO/MD, Hemas Group.

# MANAGEMENT TEAM

#### Kanishka Perera

Chief Executive Officer
Asia Securities Wealth Management

Kanishka is the CEO at Asia Securities Wealth Management. Prior to his current appointment he was a Principal at NDB Zephyr Partners, one of Sri Lanka's largest private equity firms. He had direct oversight over investments of ~USD 10mn across multiple sectors. Until 2021 he was the Chief Investment Officer at Asia Securities Wealth Management and was responsible for all investment decisions across equities and fixed income instruments.

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 15 years of capital markets experience and started his career as an Analyst at Amba Research.

Kanishka holds a Bachelor's Degree in Commerce from the University of Melbourne, Australia

# Shashi Jayawardena

Senior Vice President - Sales Asia Securities Wealth Management

Shashi Jayawardena is a Senior Vice President Sales at Asia Securities Wealth Management. Prior to the current appointment he was the Head of Wealth Management sales at National Asset Management Ltd.

He also was a member of the Capital Alliance Investments (CALI) team heading the sales unit for the unit trust funds as well as the Private Wealth Management team. Shashi has over 10 years of experience in Wealth Management and Banking & Finance.

# MANAGEMENT TEAM

# Pushpika Jeevaratne

Vice President – Compliance, Asia Securities Wealth Management

Pushpika is the VP 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 Assert Management Limited (NAMAL).

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

# Rasika Nanayakkara

Portfolio Manager, Vice President, Asia Securities Wealth Management

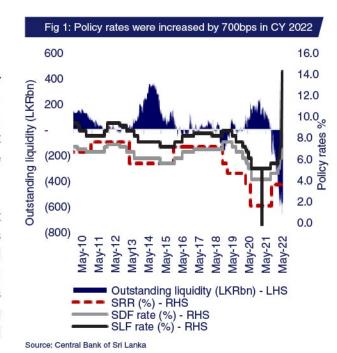
Rasika is the portfolio manager at Asia Securities Wealth Management. Prior to his current appointment he was a Senior Analyst at Guardian Fund Management Ltd, one of Sri Lanka's largest asset managers. In this capacity he covered a multi-sector coverage universe of domestic and foreign listed equity. Prior to that, he has similar research roles at CT CLSA Securities (Pvt) Limited and Amba Research Lanka (Pvt) Ltd, totaling over a decade of experience in investment research in domestic and foreign capital markets. Rasika holds a Bachelor's Degree in Business from Heriot-Watt University, U.K.

# Fund Review for FY21/22 -Asia Securities Money Market Fund

For the period ended 31st March 2022, your fund provided an annualized return of 7.73%. We primarily invest in government securities, fixed deposits and other money market instruments with a rating of investment grade and above.

The year under review was one of the most challenging years faced by the nation as economic and political stability was tested during the year. The economy faces an unsustainable debt and a balance of payments crisis with the outlook on the economy being highly uncertain due to the fiscal and external imbalances.

The Central Bank of Sri Lanka has taken the necessary policy action to alleviate the crisis, despite some delay. Accordingly, during the year, the Standing Lending Facility Rate (SLF) and the Standing Deposit Facility Rate (SDF) were increased by a total of 150 basis points each to 7.50% and 6.50%¹ respectively and the Statutory Reserve Ratio (SRR) by 200 basis points to 4.00%². Subsequently, in April 2022 the SLF and SDF was increased by a further 700bps to 14.50% and 13.50%³ respectively. The CBSL also engaged with the IMF for an Extended Fund Facility (EFF), whilst also opening up bilateral credit lines for short term funding.



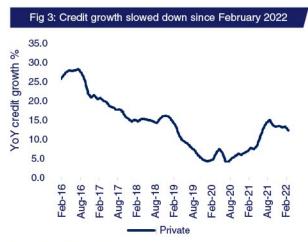
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Fig 2: 1Y treasury bill rates are at historic highs are at historic high are at high

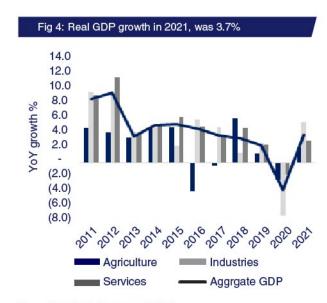
These unprecedented rate increase created curtailed market liquidity, which resulted in market interest rates increasing sharply. In this backdrop, interest rates soared across the yield curve with the benchmark 364-day treasury bill rate increasing to 24.36%<sup>4</sup> as at 26th April 2022, from 12.28%<sup>5</sup> as at 31st March 2022.

Given the higher-than-expected liquidity shortage combined with a prolonged correction in the currency, we expect 1-year treasury bill yields could continue to increase during the rest of the year. Looking ahead, given the lack of forex inflows amidst higher domestic refinancing, we expect this trend to continue.

Credit growth picked up at a faster rate from May 2021 onwards with August 2021 recording the fastest growth in credit since the beginning of the pandemic – where credit grew by LKR +134bn MoM<sup>6</sup>. However, the pick – up in credit growth was short lived – as the country was led into another series of lockdowns, disrupting economic activity, as well as the subsequent fiscal and balance of payments crisis. In an attempt to halt the economy from overheating, the Central Bank increased policy rates – with private sector credit growth slowing gradually since February 2022.



Source: Central Bank of Sri Lanka

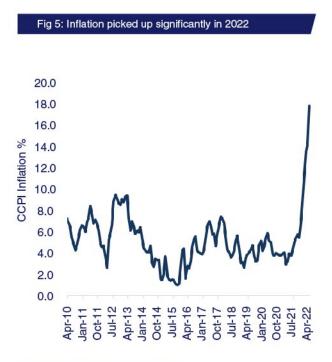


Source: Department of Census and Statistics

Growth returned in 2021, with the reopening of the economy post the pandemic. The result was an expansion in output by 3.66%<sup>7</sup> for 2021. However, despite economic activity remaining in positive territory in March 2022 albeit remaining relatively flat, we expect a further slowdown in the future. Following the talks with the IMF, we expect further fiscal tightening policy measures to be announced, resulting in a possibility of a contraction in the GDP for 2022.

However, despite the delay, we see the Government's decision of seeking the assistance of the IMF as a positive – and subsequent to a brief adjustment period activity could go back to normal.

Average inflation for the year ending 31st March 2022 was 9.1% - up from 4.0% seen during the year ended 31st March 2021 – driven by an increase in food and non-food food inflation. Headline inflation reached a new high of 29.8% YoY in April 2022 as fuel prices increased over +130%.



Source: Department of Census and Statistics

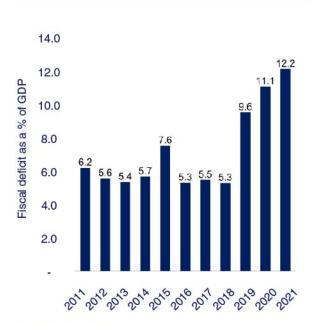
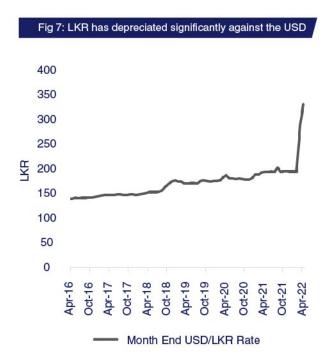


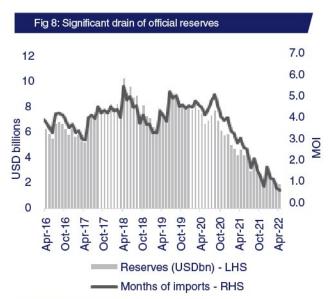
Fig 6: Fiscal deficit widened to 12.2% of GDP in 2022

Source: Ministry of Finance



Source: Central Bank of Sri Lanka

Government finances deteriorated sharply in 2021, with the fiscal deficit reaching approx. 12.2%<sup>10</sup> in 2021. However, budget for 2022 is challenging, with several optimistic strategies to bridge the revenue gap in the face of the external debt challenge. We expect the fiscal deficit to decline slightly during 2022, as fiscal consolidation measures led the IMF continues to rise amidst low tax and other government revenues.



Source: Central Bank of Sri Lanka

Sri Lanka's official reserves reached USD 1.9bn¹¹ in March 2022 (-17.0% MoM, -52.8% YoY) with no evident inflows recorded during the April 2022. Of these, usable reserves are USD 400mn as USD 1.5bn is a Chinese yuan swap, intended to pay for Chinese imports, which is currently unutilized. According to Central Bank data, USD 945mn of repayments (foreign currency loans, securities, and deposits) were due during March 2022. Official reserves cover less than a month of imports.

In April 2022, official reserves declined -59.2% YoY to USD 1.8bn<sup>12</sup>, whilst gold reserves were down to just USD 29.0mn (vs. USD 954mn in December 2019). The impact of low reserves and low USD liquidity is evident in the economy, with extended power cuts throughout the country due to the unavailability of fuel imports.

However, low visibility into further dollar inflows is a critical near-term concern at this juncture. With the reversal of the 50% dollar sale rule to 25% by banks to the Central Bank, we expect liquidity to improve to some extent. However, we continue to expect the Central Bank to depend on credit lines and swaps to finance the near term funding needs.

# **Return Summary of the Fund**

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 2022	6.69	6.86		
Feb 2022	7.86	8.09		
Jan 2022	7.75	7.98		
YTD	5.66	5.78		
FY21/22	7.73	7.96		

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 growth in 2022 to be dulled by 1) low USD liquidity leading to fuel and power shortages, 2) increasing inflation, 3) limited availability of LCs, 4) rising interest rates and 5) further depreciation in the LKR. We expect the above factors to limit tourist arrivals at this point. In addition, rising global commodity prices adding further pressure on the economy, amidst very little fiscal space to support consumers.

As economic activity increases, we expect revenue collections to improve. However, with the current restrictions, we expect collections to be dampened in the near term. However, factoring in an IMF funding facility, we expect fiscal consolidation measures to come into effect in the coming months.

With the low USD liquidity situation, we expect the LKR to face pressure if controls are eased. Hence, we factor in a further depreciation of the currency in 2022 as a result of higher speculation, though we expect this to ease to some extent once an IMF agreement is in place. However, if expected USD inflows does not materialize, we could see a further depreciation in the LKR.

#### References

- 1,2,3 Central Bank of Sri Lanka, https://www.cbsl.gov.lk/en/rates-and-indicators/policy-rates
- 4,5 Central Bank of Sri Lanka, Data Library
- 6 Central Bank of Sri Lanka, Monthly Economic Indicator Report
- 7 Central Bank of Sri Lanka, Annual Report 2021, Key Economic Indicators
- 8,9 Department of Census and Statistics, Statistical Information, http://www.statistics.gov.lk/InflationAndPrices/StaticalInformation/
- 10 Central Bank of Sri Lanka, Annual Report 2021, Chapter 6 Fiscal Policy and Public Finance
- 11,12 Central Bank of Sri Lanka, Monthly Economic Indicator Report



# **AUDITED FINANCIAL STATEMENTS**

FOR THE YEAR ENDED 31 MARCH 2022

# pwc

# INDEPENDENT AUDITOR'S REPORT To the Unitholders of Asia Securities Money Market Fund

# Report on the audit of the financial statements

# Our opinion

In our opinion, the financial statements give a true and fair view of the financial position of Asia Securities Money Market Fund ("the Fund") as at 31 March 2022, and of its financial performance and its cash flows for the period then ended in accordance with Sri Lanka Accounting Standards.

#### What we have audited

The Fund's financial statements comprise:

- · the statement of financial position as at 31 March 2022;
- the statement of comprehensive income for the period then ended;
- the statement of changes in unitholders' Fund for the period then ended;
- · the statement of cash flows for the period then ended; and
- the notes to the financial statements, which include significant accounting policies and other explanatory information.

# **Basis for opinion**

We conducted our audit in accordance with Sri Lanka Auditing Standards (SLAuSs). Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### Independence

We are independent of the Fund in accordance with the Code of Ethics for Professional Accountants issued by the Institute of Chartered Accountants of Sri Lanka ("CA Sri Lanka Code of Ethics"). We have fulfilled our other ethical responsibilities in accordance with the CA Sri Lanka Code of Ethics.

#### Other information

Management is responsible for the other information. The other information comprises the annual report to the unitholders (but does not include the financial statements and our auditor's report thereon). The annual report to the unitholders is expected to be made available to us after the date of this auditor's report.

Our opinion on the financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

When we read the annual report to the unitholders, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.



# INDEPENDENT AUDITOR'S REPORT To the Unitholders of Asia Securities Money Market Fund

# Report on the audit of the financial statements (Contd.)

# Responsibilities of management and those charged with governance for the financial statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with Sri Lanka Accounting Standards and for such internal control as Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Fund's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Fund or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Fund's financial reporting process.

# Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SLAuSs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with SLAuSs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

• Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.



# INDEPENDENT AUDITOR'S REPORT To the Unitholders of Asia Securities Money Market Fund

# Auditor's responsibilities for the audit of the financial statements (Contd.)

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are
  appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of
  the Fund's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Manager.
- Conclude on the appropriateness of Manager's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Fund's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Fund to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

**CHARTERED ACCOUNTANTS** 

ricewaterhouse (opens

COLOMBO 09 June 2022

# STATEMENT OF COMPREHENSIVE INCOME (All amounts in Sri Lanka Rupees)

For the period from 23 December 2020 to 31 March 2022

		10 31 Warch 2022
Income	Note	LKR
Investment income	05	342,395,984
Total income		342,395,984
Operating expenses		
Management fees		(20,365,302)
Trustee fees		(6,598,358)
Custodian fees		(328,793)
Audit fees		(342,954)
Other expenses		(93,784)
Total operating expenses		(27,729,191)
Finance cost		
Interest expense		(10,066,911)
Total finance cost		(10,066,911)
Profit for the period		304,599,882
		,
Other comprehensive income		-
Increase in net assets attributable to uni	t holders	304,599,882

# STATEMENT OF FINANCIAL POSITION (All amounts in Sri Lanka Rupees)

	Note	31 March 2022 LKR
Assets		
Cash and cash equivalents	06	12,012,164
Financial assets at amortised cost	07	6,118,436,492
Total assets		6,130,448,656
Liabilities		
Borrowings	08	689,732,542
Accrued expenses	09	5,577,915
Total liabilities		695,310,457
Net assets attributable to unit holders		5,435,138,199
Unitholders' funds		
Net assets attributable to unit holders		5,435,138,199

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 09 June 2022.

Director

Asia Securities Wealth Management (Private) Limited Fund Management Company Trustee Hatton National Bank

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

Figures in brackets indicate deductions.

The accounting policies and notes from pages 8 to 25 form an integral part of these financial statements.

# STATEMENT OF CHANGES IN UNITHOLDERS' FUND (All amounts in Sri Lanka Rupees)

	No of units	Unitholders' fund LKR
Creation of units	1,543,086,442.58	3 16,384,854,537
Increase in net assets attributable to unitholders	÷	304,599,882
Redemption of units	(1,047,570,533.6	34) (11,254,316,220)
Dividend distribution to unitholders		-
Unitholders' funds as at 31 MARCH	495,515,908.94	5,435,138,199

# STATEMENT OF CASH FLOWS (All amounts in Sri Lanka Rupees)

For the period from 23 December 2020 to 31 March 2022

LKR

Cash flows from operating activities	
Interest received	96,346,724
Other expenses paid	(4,928,153)
Management fees and trustee fees paid	(23,884,549)
Investment in repurchase agreements	(54,441,632,226)
Investment in commercial papers	(4,331,701,507)
Investment in fixed deposits	(3,277,000,000)
Investment in trust certificates	(749,000,000)
Investment in T-Bills	(408,973,120)
Proceed from repurchase agreements on maturity	54,395,063,671
Proceed from commercial papers on maturity	1,814,561,507
Proceed from fixed deposits on maturity	990,000,000
Proceed from trust certificates on maturity	89,000,000
Proceed from T-Bills on maturity	49,121,500
Net cash used in operating activities	(5,803,026,153)
Cash flows from financing activities	
Amounts received on unit creations	16,384,854,537
Amounts paid on unit redemptions	(11,254,316,220)
Loans received against fixed deposits	684,500,000
Net cash generated from financing activities	5,815,038,317
Net increase in cash and cash equivalents during the period	12,012,164
Cash and cash equivalents at the beginning of the period	
Cash and cash equivalents at the end of the period (Note 6)	12,012,164

### 1. General Information

Asia Securities Money Market Fund ("the fund") is an open-ended investment fund approved by the Securities and Exchange Commission of Sri Lanka. The fund had been granted its licence on 12th of October 2020 and operations started 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 4th Floor, Lee Hedges Tower, No 349, Galle Road, Colombo 03. The trustee and custodian of the fund is Hatton National Bank PLC having its place of business at No 479, T.B. Jayah Mawatha, Colombo I0. The investment objective of the fund 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.

#### 1.2 Date of authorization for issue

The financial statements of the fund for the period ended 31 March 2022 were authorized for issue by the fund management company and the trustee on 09 June 2022.

# 2. Summary of significant accounting policies

The principal accounting policies adopted in the preparation of these financial statements are set out below.

# 2.1 Basis of preparation

The financial statements of the Fund have been prepared in accordance with Sri Lanka Accounting Standards, which comprise Sri Lanka Financial Reporting Standards ("SLFRS"s), Sri Lanka Accounting Standards ("LKAS"s), relevant interpretations of the Standing Interpretations Committee ("SIC") and International Financial Reporting Interpretations Committee ("IFRIC"). Sri Lanka Accounting Standards further comprises of Statements of Recommended Practices (SoRPs), Statements of Alternate Treatments (SoATs) and Financial Reporting Guidelines issued by the Institute of Chartered Accountants of Sri Lanka. These financial statements have been prepared under the historical cost convention. The preparation of financial statements in conformity with Sri Lanka Accounting Standards requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Fund's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the Fund's financial statements are disclosed in note 4 to the financial statements.

The statement of financial position is presented on a liquidity basis and assets and liabilities are presented in decreasing order of liquidity and are not distinguished between the current and noncurrent. The financial statements are presented in Sri Lankan rupees (LKR).

These are the Fund's first financial statements prepared in accordance with LKASs and SLFRSs as this is the first period of its operation.

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after the Fund's inception, and have not been early adopted in preparing these financial statements. None of these are expected to have a material effect on the financial statements of the Fund.

# 2. Summary of significant accounting policies (Contd.)

# 2.2 Functional and presentation currency

The Fund's investors are mainly from Sri Lanka, with all creation and redemption of units are denominated in Sri Lanka Rupees. The primary activity of the Fund is to invest in domestic securities and earn and offer unit holders a return. The performance of the Fund is measured and reported to the unitholders in Sri Lanka Rupees. The Trustee considers the rupees as the currency that most faithfully represents the economic effects of the underlying transactions, events and conditions. Accordingly, the financial statements are presented in Sri Lankan Rupees, which is the Fund's functional and presentation currency.

#### 2.3. Financial assets

#### Classification and measurement of financial assets and financial liabilities

SLFRS 9 contains three principal classification categories of financial asset: measured at amortised cost, Fair Value through Other Comprehensive Income (FVOCI) and Fair Value through Profit or Loss (FVTPL). The classification of financial assets under SLFRS 9 is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics.

#### (i) Recognition and initial measurement

All financial assets are initially recognized on the date the fund becomes a party to the contractual provisions of the instrument. This includes purchases of financial assets that require delivery of assets within the time frame generally established by regulation or convention in the market place.

#### (ii) Classification

On initial recognition, a financial asset is classified as measured at: amortised cost FVOCI or FVTPL. Financial assets are not reclassified subsequent to their initial recognition unless the fund changes its business model for managing financial assets in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

A financial asset is measured at amortised cost if it meets both of the following conditions:

- -it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- -its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

The fund's financial assets classified under amortised cost include money market savings deposits, fixed deposits, commercial papers, treasury bills, structured debt and buy and sell back trust certificates.

A debt investment is measured at FVOCI if it meets both of the following conditions:

- -it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- -its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

# 2. Summary of significant accounting policies (Contd.)

# 2.3. Financial assets (Contd.)

(ii) Classification (Contd.)

Financial assets at amortised cost are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses, if any. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.

# 2.4. Financial liabilities – Classification, subsequent measurement and gains and losses

Financial liabilities are classified as measured at amortised cost. Financial liabilities are subsequently measured at amortised cost using the effective interest method.

Financial liabilities measured at amortised cost include borrowings, accrued expenses and other payables

#### Derecognition

#### Financial assets

The fund derecognizes a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the fund neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset. The fund enters into transactions whereby it transfers assets recognised in its statement of financial position, but retains either all or substantially all of the risks and rewards of the transferred assets. In these cases, the transferred assets are not derecognised.

#### Financial liabilities

The fund derecognises a financial liability when its contractual obligations are discharged or cancelled or expire. The fund also derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognised at fair value. On derecognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognised in profit or loss.

#### Offsetting of financial instruments

Financial assets and financial liabilities are offset, and the net amount reported in the statement of financial position if, and only if:

- There is a currently enforceable legal right to offset the recognized amounts and
- There is an intention to settle on a net basis, or to realize the assets and settle the liabilities simultaneously

# 2. Summary of significant accounting policies (Contd.)

# 2.5 Impairment

The fund recognises loss allowances for expected credit losses (ECLs) on financial assets measured at amortised cost.

The fund measures loss allowances at an amount equal to lifetime ECL, except for bank balances for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition which are measured as 12-month ECL. Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument. 12-month ECLs are the portion of ECLs that result from default events that are possible within the 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12months). The maximum period considered when estimating ECLs is the maximum contractual period over which the fund is exposed to credit risk.

#### Credit-impaired financial assets

At each reporting date, the fund assesses whether financial assets carried at amortised cost are credit impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable data:

- Significant financial difficulty of the borrower or issuer;
- A breach of contract such as a default or being more than 90 days past due.
- The restructuring of a loan or advance by the Company on terms that the Company would not consider otherwise.
- It is probable that the borrower will enter bankruptcy or other financial reorganization.

As of the statement of financial position date the fund has not observed any of the above thus no impairment provision has been recognized in the financial statements.

#### Presentation of allowance for ECL in the statement of financial position

Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets.

#### Write-offs

The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery.

# 2.6 Recognition of income

Income is recognized to the extent that it is probable that the economic benefits will flow to the fund and the revenue can be reliably measured.

#### Interest income

For all financial instruments measured at amortized cost, interest income is recorded using the effective interest rate (EIR), which is the rate that exactly discounts the estimated future cash payments or receipts through the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset.

# 2. Summary of significant accounting policies (Contd.)

# 2.7 Cash and cash equivalents

Cash and cash equivalents in the statement of financial position comprise of cash at bank.

The cash flow statement has been prepared using the direct method.

For the purpose of the statement of cash flows, cash and cash equivalents consist of cash and cash equivalents as defined above.

#### 2.8 Income tax

The fund is not liable to pay income tax as at the reporting date in accordance with Inland Revenue Act No. 24 of 2017 as amended by the Inland Revenue (Amendment) Act No. 10 of 2021. The fund's income generated through investment business are treated as "pass through vehicles" under the provisions of Inland Revenue Act No. 24 of 2017 as amended by the Inland Revenue (Amendment) Act No. 10 of 2021.

# 2.9 Expenses

The management, trustee, and custodian fees of the fund as per the trust deed is as follows,

Management fee - 0.50% p.a. of net asset value of the fund calculated daily

Trustee fee - 0.15% p.a. of net asset value of the fund calculated daily

Custodian fee - Rs 240,000 per Annum

# 2.10 Unitholders' funds

Unitholders' funds have been calculated as the difference between the carrying amounts of the assets and the carrying amounts of the liabilities, other than those due to unit holders as at the reporting date.

# 3. Financial risk management

Risks arising from holding financial instruments are inherent in the fund's activities, and are managed through a process of ongoing identification, measurement, and monitoring. The fund is exposed to credit risk, market risk, and liquidity risk.

Financial instruments of the fund comprise investments in treasury bills and repurchase agreements, fixed deposits, commercial papers, trust certificates and money market savings deposits for the purpose of generating a return on the investment made by unit holders, in addition to cash at bank and other financial instruments such as receivables and payables, which arise directly from its operations.

The fund manager is responsible for identifying and controlling the risk that arise from these financial instruments. The fund manager agrees on policies for managing each of the risks identified below.

The risks are measured using a method that reflects the expected impact on the statement of profit or loss and other comprehensive income and statement of financial position of the fund from reasonably possible changes in the relevant risk variables. Information about these risk exposures at the reporting date, measured on this basis, is disclosed below.

# 3. Financial risk management (Contd.)

The fund manager also monitors information about the total exposure of financial instruments vulnerable to risk, as well as compliance with established investment mandate limits. These mandate limits reflect the investment strategy and market environment of the fund, as well as the level of risk that the fund is willing to accept, with additional emphasis on selected industries. This information is prepared and reported to relevant parties within the fund manager on a regular basis as deemed appropriate, including the fund manager, other key management, investment committee, and ultimately the trustee of the fund.

Concentration of risk arises when several financial instruments or contracts are entered in to with the same counterparty, or where a number of counterparties are engaged in similar business activities, or activities in the same geographic region, or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economics, political or other conditions.

#### a) Credit risk

Credit risk is the risk that the counterparty to the financial instruments will fail to discharge an obligation and cause the fund to incur a financial loss of interest and/or principal. The fund's exposure to credit risk from its financial assets arises from default of the counterparty, with the current exposure equal to the carrying amount of financial assets as at the reporting date. It is the fund's policy to enter contracts with reputable counterparties. The fund is also subject to credit risk on its bank balances and investment in commercial papers. The credit risk exposure on these instruments is not deemed to be significant.

The funds' maximum exposure to credit risk is the carrying amount of the financial assets are set out below;

Instrument	<b>31 March 2022</b> LKR	
Commercial papers (Note 7.1)	2,632,537,868	
Fixed deposits (Note 7.2)	2,383,725,101	
Trust certificates (Note 7.3)	686,747,427	
Repurchase agreements (Note 7.4)	46,577,933	
Treasury Bills (Note 7.5)	365,569,648	
Fixed deposit placement fee receivable	3,278,515	
Cash at bank	12,012,164	
Total	6,130,448,656	

# 3. Financial risk management (Contd.)

## a) Credit risk (Contd.)

The analysis below summarises the credit quality of the Fund's debt portfolio at 31 March 2022.

2022 Counterparty	Investment value as at 31 March 2022(LKR)	% of investment	Credit rating	Rating agency
Siyapatha Finance PLC	155,758,123	2.87%	Α	Fitch Rating
Singer Finance Lanka PLC	430,208,246	7.92%	Α	Fitch Rating
Abans Finance PLC	104,386,986	1.92%	A-	Fitch Rating
LB Finance PLC	103,812,603	1.91%	A-	Fitch Rating
Hatton National Bank	12,012,164	0.22%	AA-	Fitch Rating
Richard Pieris Finance Ltd	312,708,383	5.75%	AA-	Fitch Rating
Ideal Finance Ltd	291,433,014	5.36%	AA-	Fitch Rating
Mercantile Investments & Finance PLC	158,724,247	2.92%	AA-	Fitch Rating
Asia Securities (Pvt) Ltd	154,783,724	2.85%	BBB-	Fitch Rating
LOLC Holdings PLC	1,013,953,288	18.66%	Α	ICRA
First Capital Holdings PLC	26,093,151	0.48%	Α	ICRA
LOLC Development Finance PLC	506,304,875	9.32%	A-	ICRA
Merchant Bank of Sri Lanka & Finance PLC	52,281,521	0.96%	A-	ICRA
Asia Asset Finance PLC	165,387,261	3.04%	A-	ICRA
Vallibel Finance PLC	354,700,849	6.53%	BBB+	ICRA
Softlogic Holding PLC	590,689,144	10.87%	BBB+	ICRA
Commercial Credit & Finance PLC	436,588,085	8.03%	BBB	ICRA
Prime Finance PLC	105,843,836	1.95%	BBB-	ICRA
Janashakthi Ltd	742,631,575	13.66%	BBB-	ICRA
Wealth Trust Securities	46,577,933	0.86%	However, repurcha	are notAvailable. this is related to use agreements. refer Note 7.4.
Government Securities	365,569,648	6.73%	Risk free i	nature Investment

Total 6,130,448,656

# 3. Financial risk management (Contd.)

#### a) Credit risk (Contd.)

Debt securities by rating category

Rating	2022
Α	1,626,012,808
A-	932,173,246
AA-	774,877,808
BBB+	945,389,994
BBB	436,588,084
BBB-	1,003,259,135
Others	412,147,581
Total	6,130,448,656

### b) Market risk

Market risk represents the risk that the value of the fund's investments portfolios will fluctuate because of changes in market prices and rates. However, the fund's exposure to price risk and foreign exchange risk are deemed negligible as all its investments are short term fixed income securities denominated in Sri Lankan Rupees and the financial instruments are subsequently measured on an amortised cost basis. While market risk cannot be eliminated the fund manager will attempt to reduce this risk by diversifying the fund's investment portfolio in line with investment objectives of the fund.

#### Interest rate risk

Interest rate risk is the risk that the value of a financial instrument will fluctuate because of changes in market interest rates. The fund's interest-bearing financial assets expose it to risks associated with the effects of fluctuations in the prevailing levels of market interest rates on its financial position and cash flows. The risk is measured using sensitivity analysis. Since the fund had not held financial instruments with variable interest rates as of 31 March 2022, it was not exposed to interest rate risk. Hence a sensitivity analysis has not been presented.

# 3. Financial risk management (Contd.)

#### b) Market risk (Contd.)

The table below summarises the fund's exposure to interest rate risks

31-Mar-22	Floating interest rate	Fixed interest rate	Non-interest bearing	Total
	Rs.	Rs.	Rs.	Rs.
Financial assets				
Cash and cash equivalents	-	11,987,164	25,000	12,012,164
Financial assets at amortised cost		6,118,436,492		6,118,436,492
Borrowings	(=)	(689,732,542)	-	(689,732,542)
Total exposure	-	5,440,691,114	25,000	5,440,716,114

#### c) Liquidity risk

Liquidity risk is the risk that the Fund may not be able to generate sufficient cash resources to settle its obligations in full as they fall due or can only do so on terms that are materially disadvantageous. Exposure to liquidity risk arises because of the possibility that the fund could be required to pay its liabilities or redeem its units earlier than expected. Units are redeemable at the unitholder's options based on the fund's net asset value per unit at the time of redemption.

The fund manages its obligation when required to do so and its overall liquidity risk by:

- Investing primarily in financial instruments, which under normal market conditions are readily convertible to cash.
- The fund will also make the Investments within the parameters set out by the Commission in accordance with the Unit Trust Code and the Deed to ensure there is no concentration of risk.
- Maintaining sufficient cash and cash equivalents to meet normal operating requirements and expected redemption requests. The unit trust code requires a minimum of 3% of the deposited property to be maintained in cash or near cash. (Near cash means investments such as bank/call deposits, repurchase agreements with maturities of less than 3 months, commercial paper endorsed or guaranteed by a Licensed Commercial Bank or Licensed Specialized Bank with maturities of less than 3 months and government securities including government bonds with maturities of less than one year which can be readily convertible into cash.)
- Requiring at least 14 days prior written notice for unitholder redemption equal to or greater than 3% of the net asset value of the fund
- Continually search for new investors

# 3. Financial risk management (Contd.)

#### c) Liquidity risk (Contd.)

The time frame for return of cash to investors is five business days in which time investments may be recalled for redemption payouts. Further, the fund is also permitted to borrow up to 15% of the deposited property for redemption payouts. Other financial liabilities have no contractual maturities. Due to the short-term nature of these financial instruments, carrying value approximates fair value. The table below precises the fund's non derivative financial assets and liabilities with contractual maturities into relevant maturity groupings based on the remaining period at the end of the reporting period. The amounts in the table are the contractual undiscounted cash flows

31-Mar-22	Less than 30 days	31 - 90 days	91 - 180 days	181 - 365 days	Total
Financial Assets					
Commercial Papers	-	1,563,974,829	751,310,431	387,250,000	
Fixed Deposits	64,266,000	366,533,200	1,812,639,515	219,760,000	
Treasury Bills	70,000,000	250,000,000		50,000,000	
Trust Certificates	53,875,000	142,859,096	407,117,904	110,750,000	
Repurchase Agreements	46,577,933				
Total	234,718,933	2,323,367,125	2,971,067,850	767,760,000	6,296,913,907
Financial Liabilities					
Management Fee	2,557,319				
Trustee Fee	828,571				
Custody Fee	22,014				
Loans			689,732,542		
Audit Fee			342,954		
Total	3,407,904	-	690,075,496	-	693,483,400

#### d) Capital risk management

The Fund considers its net assets attributable to unitholders as capital, notwithstanding that net asset attributable to unitholders are classified as a liability. The amount of net assets attributable to unitholders can change significantly daily as the Fund is subject to daily applications and redemptions at the discretion of unitholders. Daily applications and redemptions are reviewed relative to the liquidity of the Fund's underlying assets daily by the Management Company. Under the terms of the Unit Trust Code, the Management Company has the discretion to reject an application for units and to defer redemption of units if the exercise of such discretion is in the best interests of unitholders.

# 3. Financial risk management (Contd.)

#### d) Capital risk management (Contd.)

The Fund's objective when managing capital is to safeguard the Fund's ability to continue as a going concern in order to provide returns for unitholders, provide benefits for other stakeholders and maintain a strong capital base to support the development of the investment activities of the Fund. The Board of Directors and Investment Manager monitor capital on the basis of the value of net assets attributable to unit holders. All the assets and liabilities are measured at amortised cost. Please refer to the Note 2 for more details.

Disclosures relevant to unitholders' funds are as follows.

#### The movement in the unitholders' funds for the period ended 31 March 2022

#### I. In terms of value

	2022 (LKR)
Unitholders' funds as at the beginning of the Period	•
Creations during the period	16,384,854,537
Redemptions during the period	(11,254,316,220)
Increase in net assets attributable to unitholders during the period	304,599,882
Unitholders' funds as at 31 March	5,435,138,199

#### II. In terms of number of units

	2022
Opening number of units	-
Unit creations during the period	1,543,086,442.58
Unit redemptions during the period	(1,047,570,533.64)
Closing number of units as at 31 March	495 515 908 94

# 4. Critical accounting estimates and judgements

The preparation of financial statements in conformity with Sri Lanka Accounting Standards requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income, and expenses. In the selection and application of the company's accounting policies, which are described below, the fund management company is required to make judgements and assumptions and use assumptions in measuring items reported in the financial statements.

These estimates are based on management's knowledge of current facts and circumstances, and assumptions based on such knowledge and expectations of future events. Actual results may differ from such estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates were revised if the revision affects only that period or in the period of the revision and future periods as well if the revision affects both the current and future periods. Management considers credit, liquidity and market risk and assesses the impact on valuation of investments when determining the fair value.

Fair value of the financial instruments are determined by observable market prices or rates where available.

5		Investment income	2022
			LKR
	5.1	Interest on	
	Fixe	d deposits	132,692,860
	Com	mercial papers	139,686,287
	Gov	ernment securities and repurchase agreements	20,588,604
	Trus	t certificates	30,869,473
	Mon	ey market bank accounts	1,786,335
			325,623,559
	5.2	Other income	
	Fixe	d deposits placement fee income	16,772,425
	Tota	Il investment income	342,395,984
	5.3	Income is recognised on accrual basis.	
	5.4	Notional tax is not applicable as per the new Inland Revenue Act N	lo. 24 of 2017.
6	Cas	h and cash equivalents	2022
			LKR
	HNB	current account	25,000
	HNB	money market account	11,987,164
			12,012,164

Commercial papers (Note 7.1)	7	Financial assets at amortised cost		31 March 2022 LKR
Fixed deposits (Note 7.2)         2,383,725,101           Trust certificates (Note 7.3)         686,747,427           Repurchase agreements (Note 7.4)         46,577,933           Treasury bills (Note 7.5)         365,569,648           Fixed deposit placement fee receivable         3,278,515           Bills (Note 7.5)         46,577,933           Fixed deposit placement fee receivable           Abar Securities (Pot) Ltd         104,386,986         1.9%           Abans Finance PLC         104,386,986         1.9%           Asia Securities (Pvt) Ltd         154,783,724         2.8%           First Capital Holdings PLC         26,093,151         0.5%           Janshakthi Limited         742,631,575         13,7%           LOC Holdings PLC         1,013,953,288         18.7%           Softlogic Holding PLC         590,689,144         10.9%           Softlogic Holding PLC         113,177,014         2.08%           Asia Asset Finance PLC         113,177,014         2.08%           Asia Asset Finance PLC         113,177,014         2.08%           Idea Finance PLC         103,812,603         1.9%           Mercentile Invest		Commercial papers (Note 7.1)		2,632,537,868
Trust certificates (Note 7.3) 686,747,427 Repurchase agreements (Note 7.4) 46,577,933 Treasury bills (Note 7.5) 365,569,648 Fixed deposit placement fee receivable    31 March 2022 LKR				2,383,725,101
Repurchase agreements (Note 7.4)   365,569,648   365,569,648   46,577,933   Treasury bills (Note 7.5)   365,569,648   5,4%   46,577,933   7,278,5415   36,188,36,492		· · · · · · · · · · · · · · · · · · ·		
Treasury bills (Note 7.5)   365,569,648   3,278,515   6,118,436,492				
Size				
Sample				
Commercial papers		1		
7.1 Commercial papers			31 March 2022	
Abans Finance PLC 104,386,986 1.9% Asia Securities (Pvt) Ltd 154,783,724 2.8% First Capital Holdings PLC 26,093,151 0.5% Janshakthi Limited 742,631,575 13.7% LOLC Holdings PLC 1,013,953,288 18.7% Softlogic Holding PLC 590,689,144 10.9%  7.2 Fixed deposits Asia Asset Finance PLC 113,177,014 2.08% Ideal Finance PLC 103,812,603 1.91% Mercentile Investments 104,513,288 1.92% LOLC Development Finance 506,304,875 9.32% Merchant Bank of SriLanka 52,281,521 0.96% Prime Finance PLC 105,843,836 1.95% Richard Peries Finance Ltd 311,654,329 5.73% Singer Finance Lanka PLC 285,826,274 5.26% Siyapatha Finance PLC 155,758,123 2.87% Vallibel Finance PLC 233,120,224 6.50% Z,383,725,101 43.9%  7.3 Trust certificates Asia Asset Finance PLC 52,210,246 1.0% Singer Finance Lanka PLC 446,588,086 8.0% G86,747,427 12.6%  7.4 Repurchase agreements Wealth Trust Securities 46,577,933 0.9%  7.5 Treasury Bills First Capital 295,569,648 5.4% JB Giltedge Fund 70,000,000 1.3%			LKR	net asset value
Asia Securities (Pvt) Ltd		7.1 Commercial papers		
First Capital Holdings PLC         26,093,151         0.5%           Janshakthi Limited         742,631,575         13.7%           LOLC Holdings PLC         1,013,953,288         18.7%           Softlogic Holding PLC         590,689,144         10.9%           2,632,537,868         48.4%           7.2 Fixed deposits           Asia Asset Finance PLC         113,177,014         2.08%           Ideal Finance Ltd         291,433,014         5.36%           L.B Finance PLC         103,812,603         1.91%           Mercentile Investments         104,513,288         1.92%           LOL Development Finance         506,304,875         9.32%           Merchant Bank of SriLanka         52,281,521         0.96%           Prime Finance PLC         105,843,836         1.95%           Richard Peries Finance Ltd         311,654,329         5.73%           Singer Finance Lanka PLC         285,826,274         5.26%           Siyapatha Finance PLC         155,758,123         2.87%           Vallibel Finance PLC         353,120,224         6.50%           Z,383,725,101         43.9%           7.3 Trust certificates           Asia Asset Finance PLC         52,210,246 <td< td=""><td></td><td>Abans Finance PLC</td><td>104,386,986</td><td>1.9%</td></td<>		Abans Finance PLC	104,386,986	1.9%
Janshakthi Limited		Asia Securities (Pvt) Ltd	154,783,724	2.8%
LOLC Holdings PLC		First Capital Holdings PLC	26,093,151	0.5%
Softlogic Holding PLC		Janshakthi Limited	742,631,575	13.7%
2,632,537,868         48.4%           7.2 Fixed deposits           Asia Asset Finance PLC         113,177,014         2.08%           Ideal Finance Ltd         291,433,014         5.36%           L.B Finance PLC         103,812,603         1.91%           Mercentile Investments         104,513,288         1.92%           LOLC Development Finance         506,304,875         9.32%           Merchant Bank of SriLanka         52,281,521         0.96%           Prime Finance PLC         105,843,836         1.95%           Richard Peries Finance Ltd         311,654,329         5.73%           Singer Finance Lanka PLC         285,826,274         5.26%           Siyapatha Finance PLC         155,758,123         2.87%           Vallibel Finance PLC         353,120,224         6.50%           7.3 Trust certificates         2,383,725,101         43.9%           Asia Asset Finance PLC         52,210,246         1.0%           Singer Finance Lanka PLC         144,381,972         2.7%           Mercentile Investments         53,567,123         1.0%           Commercial Credit & Finance PLC         436,588,086         8.0%           7.4 Repurchase agreements         46,577,933         0.9% <tr< td=""><td></td><td>LOLC Holdings PLC</td><td>1,013,953,288</td><td>18.7%</td></tr<>		LOLC Holdings PLC	1,013,953,288	18.7%
7.2 Fixed deposits Asia Asset Finance PLC 113,177,014 2.08% Ideal Finance Ltd 291,433,014 5.36% L.B Finance PLC 103,812,603 1.91% Mercentile Investments 104,513,288 1.92% LOLC Development Finance 506,304,875 9.32% Merchant Bank of SriLanka 52,281,521 0.96% Prime Finance PLC 105,843,836 1.95% Richard Peries Finance Ltd 311,654,329 5.73% Singer Finance Lanka PLC 285,826,274 5.26% Siyapatha Finance PLC 155,758,123 2.87% Vallibel Finance PLC 353,120,224 6.50% 2,383,725,101 43.9% 7.3 Trust certificates Asia Asset Finance PLC 52,210,246 1.0% Singer Finance Lanka PLC 144,381,972 2.7% Mercentile Investments 53,567,123 1.0% Commercial Credit & Finance PLC 436,588,086 8.0% 686,747,427 12.6% 7.4 Repurchase agreements Wealth Trust Securities 46,577,933 0.9% 7.5 Treasury Bills First Capital 295,569,648 5.4% JB Giltedge Fund 70,000,000 1.3%		Softlogic Holding PLC	590,689,144	10.9%
Asia Asset Finance PLC Ideal Finance Ltd LB Finance PLC Ideal Finance FlC Ideal Finance FlC Ideal Finance PLC Ideal Finance PLC Ideal Finance PLC Ideal Finance FlC Ideal Flore Idea			2,632,537,868	48.4%
Asia Asset Finance PLC Ideal Finance Ltd LB Finance PLC Ideal Finance FlC Ideal Finance FlC Ideal Finance PLC Ideal Finance PLC Ideal Finance PLC Ideal Finance FlC Ideal Flore Idea		705 11 2		
Ideal Finance Ltd		to the state of th	440.477.044	0.000/
L.B Finance PLC   103,812,603   1.91%				
Mercentile Investments       104,513,288       1.92%         LOLC Development Finance       506,304,875       9.32%         Merchant Bank of SriLanka       52,281,521       0.96%         Prime Finance PLC       105,843,836       1.95%         Richard Peries Finance Ltd       311,654,329       5.73%         Singer Finance Lanka PLC       285,826,274       5.26%         Siyapatha Finance PLC       155,758,123       2.87%         Vallibel Finance PLC       353,120,224       6.50%         2,383,725,101       43.9%         7.3 Trust certificates         Asia Asset Finance PLC       52,210,246       1.0%         Singer Finance Lanka PLC       144,381,972       2.7%         Mercentile Investments       53,567,123       1.0%         Commercial Credit & Finance PLC       436,588,086       8.0%         7.4 Repurchase agreements       686,747,427       12.6%         Wealth Trust Securities       46,577,933       0.9%         7.5 Treasury Bills       5.4%         First Capital       295,569,648       5.4%         JB Giltedge Fund       70,000,000       1.3%				
LOLC Development Finance				
Merchant Bank of SriLanka       52,281,521       0.96%         Prime Finance PLC       105,843,836       1.95%         Richard Peries Finance Ltd       311,654,329       5.73%         Singer Finance Lanka PLC       285,826,274       5.26%         Siyapatha Finance PLC       155,758,123       2.87%         Vallibel Finance PLC       353,120,224       6.50%         Z,383,725,101       43.9%         7.3 Trust certificates         Asia Asset Finance PLC       52,210,246       1.0%         Singer Finance Lanka PLC       144,381,972       2.7%         Mercentile Investments       53,567,123       1.0%         Commercial Credit & Finance PLC       436,588,086       8.0%         686,747,427       12.6%         7.4 Repurchase agreements       46,577,933       0.9%         Wealth Trust Securities       46,577,933       0.9%         7.5 Treasury Bills       5.4%         First Capital       295,569,648       5.4%         JB Giltedge Fund       70,000,000       1.3%				
Prime Finance PLC       105,843,836       1,95%         Richard Peries Finance Ltd       311,654,329       5,73%         Singer Finance Lanka PLC       285,826,274       5,26%         Siyapatha Finance PLC       155,758,123       2,87%         Vallibel Finance PLC       353,120,224       6,50%         2,383,725,101       43.9%         7.3 Trust certificates         Asia Asset Finance PLC       52,210,246       1.0%         Singer Finance Lanka PLC       144,381,972       2.7%         Mercentile Investments       53,567,123       1.0%         Commercial Credit & Finance PLC       436,588,086       8.0%         686,747,427       12.6%         7.4 Repurchase agreements       46,577,933       0.9%         Wealth Trust Securities       46,577,933       0.9%         7.5 Treasury Bills       5.4%         First Capital       295,569,648       5.4%         JB Giltedge Fund       70,000,000       1.3%				
Richard Peries Finance Ltd       311,654,329       5.73%         Singer Finance Lanka PLC       285,826,274       5.26%         Siyapatha Finance PLC       155,758,123       2.87%         Vallibel Finance PLC       353,120,224       6.50%         2,383,725,101       43.9%         7.3 Trust certificates         Asia Asset Finance PLC       52,210,246       1.0%         Singer Finance Lanka PLC       144,381,972       2.7%         Mercentile Investments       53,567,123       1.0%         Commercial Credit & Finance PLC       436,588,086       8.0%         686,747,427       12.6%         7.4 Repurchase agreements       46,577,933       0.9%         Wealth Trust Securities       46,577,933       0.9%         7.5 Treasury Bills       5.4%         First Capital       295,569,648       5.4%         JB Giltedge Fund       70,000,000       1.3%				
Singer Finance Lanka PLC       285,826,274       5.26%         Siyapatha Finance PLC       155,758,123       2.87%         Vallibel Finance PLC       353,120,224       6.50%         2,383,725,101       43.9%         7.3 Trust certificates         Asia Asset Finance PLC       52,210,246       1.0%         Singer Finance Lanka PLC       144,381,972       2.7%         Mercentile Investments       53,567,123       1.0%         Commercial Credit & Finance PLC       436,588,086       8.0%         686,747,427       12.6%         7.4 Repurchase agreements       46,577,933       0.9%         Wealth Trust Securities       46,577,933       0.9%         7.5 Treasury Bills       5.4%         First Capital       295,569,648       5.4%         JB Giltedge Fund       70,000,000       1.3%				
Siyapatha Finance PLC       155,758,123       2.87%         Vallibel Finance PLC       353,120,224       6.50%         2,383,725,101       43.9%         7.3 Trust certificates         Asia Asset Finance PLC       52,210,246       1.0%         Singer Finance Lanka PLC       144,381,972       2.7%         Mercentile Investments       53,567,123       1.0%         Commercial Credit & Finance PLC       436,588,086       8.0%         686,747,427       12.6%         7.4 Repurchase agreements       46,577,933       0.9%         Wealth Trust Securities       46,577,933       0.9%         7.5 Treasury Bills       5.4%         First Capital       295,569,648       5.4%         JB Giltedge Fund       70,000,000       1.3%				
Vallibel Finance PLC       353,120,224       6.50%         2,383,725,101       43.9%         7.3 Trust certificates         Asia Asset Finance PLC       52,210,246       1.0%         Singer Finance Lanka PLC       144,381,972       2.7%         Mercentile Investments       53,567,123       1.0%         Commercial Credit & Finance PLC       436,588,086       8.0%         686,747,427       12.6%         7.4 Repurchase agreements         Wealth Trust Securities       46,577,933       0.9%         46,577,933       0.9%         7.5 Treasury Bills         First Capital       295,569,648       5.4%         JB Giltedge Fund       70,000,000       1.3%				
2,383,725,101       43.9%         7.3 Trust certificates         Asia Asset Finance PLC       52,210,246       1.0%         Singer Finance Lanka PLC       144,381,972       2.7%         Mercentile Investments       53,567,123       1.0%         Commercial Credit & Finance PLC       436,588,086       8.0%         686,747,427       12.6%         7.4 Repurchase agreements         Wealth Trust Securities       46,577,933       0.9%         46,577,933       0.9%         7.5 Treasury Bills         First Capital       295,569,648       5.4%         JB Giltedge Fund       70,000,000       1.3%				
7.3 Trust certificates  Asia Asset Finance PLC  Singer Finance Lanka PLC  Mercentile Investments  Commercial Credit & Finance PLC  7.4 Repurchase agreements  Wealth Trust Securities  46,577,933  7.5 Treasury Bills  First Capital  JB Giltedge Fund  52,210,246  1.0%  52,210,246  1.0%  53,567,123  1.0%  636,588,086  8.0%  686,747,427  12.6%  46,577,933  0.9%  5.4%  7.5 Treasury Bills  7.5 Treasury Bills		Vallibel Finance PLC		
Asia Asset Finance PLC 52,210,246 1.0% Singer Finance Lanka PLC 144,381,972 2.7% Mercentile Investments 53,567,123 1.0% Commercial Credit & Finance PLC 436,588,086 8.0%  7.4 Repurchase agreements Wealth Trust Securities 46,577,933 0.9%  7.5 Treasury Bills First Capital 295,569,648 5.4% JB Giltedge Fund 70,000,000 1.3%		707 · · · · · ·	2,383,725,101	43.9%
Singer Finance Lanka PLC       144,381,972       2.7%         Mercentile Investments       53,567,123       1.0%         Commercial Credit & Finance PLC       436,588,086       8.0%         686,747,427       12.6%         7.4 Repurchase agreements         Wealth Trust Securities       46,577,933       0.9%         46,577,933       0.9%         7.5 Treasury Bills         First Capital       295,569,648       5.4%         JB Giltedge Fund       70,000,000       1.3%			50.040.040	1 00/
Mercentile Investments       53,567,123       1.0%         Commercial Credit & Finance PLC       436,588,086       8.0%         686,747,427       12.6%         7.4 Repurchase agreements         Wealth Trust Securities       46,577,933       0.9%         46,577,933       0.9%         7.5 Treasury Bills         First Capital       295,569,648       5.4%         JB Giltedge Fund       70,000,000       1.3%			15	
Commercial Credit & Finance PLC       436,588,086       8.0%         686,747,427       12.6%         7.4 Repurchase agreements         Wealth Trust Securities       46,577,933       0.9%         46,577,933       0.9%         7.5 Treasury Bills         First Capital       295,569,648       5.4%         JB Giltedge Fund       70,000,000       1.3%				
686,747,427       12.6%         7.4 Repurchase agreements         Wealth Trust Securities       46,577,933       0.9%         46,577,933       0.9%         7.5 Treasury Bills         First Capital       295,569,648       5.4%         JB Giltedge Fund       70,000,000       1.3%				
7.4 Repurchase agreements         Wealth Trust Securities       46,577,933       0.9%         46,577,933       0.9%         7.5 Treasury Bills         First Capital       295,569,648       5.4%         JB Giltedge Fund       70,000,000       1.3%		Commercial Credit & Finance PLC		
Wealth Trust Securities       46,577,933       0.9%         46,577,933       0.9%         7.5 Treasury Bills         First Capital       295,569,648       5.4%         JB Giltedge Fund       70,000,000       1.3%		7.4 Popurchasa agraements	000,747,427	12.0%
46,577,933     0.9%       7.5 Treasury Bills     295,569,648     5.4%       JB Giltedge Fund     70,000,000     1.3%			46 577 033	0.9%
7.5 Treasury Bills         First Capital       295,569,648       5.4%         JB Giltedge Fund       70,000,000       1.3%		Wealth Trust Securities		
First Capital       295,569,648       5.4%         JB Giltedge Fund       70,000,000       1.3%			,,	
JB Giltedge Fund 70,000,000 1.3%				
3 65,569,648 6.7%		JB Giltedge Fund		
			3 65,569,648	6.7%

8	Borrowings	
		31 March 2022
		LKR
	Loans received against fixed deposits (Note 8.1)	689,732,542
		689,732,542

#### 8.1 Loans received against fixed deposits

	31 March 2022 LKR	Holdings as a % of net asset value
Singer Finance PLC	130,906,884	2.41%
LOLC Development Finance	355,202,987	6.54%
Siyapatha Finance	112,684,329	2.07%
LB Finance	90,938,342	1.67%
	689,732,542	12.69%

### 9 Accrued expenses 31 March 2022 LKR

Management fees payable	2,557,319
Trustee fees payable	828,571
Custodian fees payable	22,014
Audit and tax consultancy fees payable	342,955
Placement fee income - paid in advance	1,827,056
	5,577,915

#### 10 Contingencies

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

#### 11 Events occurring after reporting date

Annual inflation rate (Year on year) in Sri Lanka is scaled up to 33.8% in April 2022 from 21.5% in March 2022 and will continue to increase further in coming months due to the inadequate foreign currency reserves and depletion of the Sri Lankan rupee. Further, prolonged power disruptions, a shortage of fuel, medicine and most of the essential goods together with unfavourable political conditions have resulted in significant challenges to the Sri Lankan economy which disrupts the business environment.

The Central Bank of Sri Lanka has tightened the Monetary Policy through increasing its policy rates to 14.5% in response to the prevailing economic crisis including depletion of foreign reserves. Government treasury bill rates has been increased approximately from 12% in March 2022 to 23% in June 2022.

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

#### 12 Capital commitments

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

### 13 Units in issue and unit price

No. of units in issue and deemed to be in issue as at 31 March 2022 was 495,515,908.94 and net assets value per unit as at 31 March 2022 was LKR. 10.9686. Please refer to Note-15.

The creation price was at LKR 10.9686 per unit and the redemption price was at LKR 10.9686 per unit as at 31st March 2022.

#### 14 Related party disclosure

#### 14.1 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.

#### 14.2 Key management personnel

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

#### **Directors**

Mr.Dumith Fernando Mr.Avancka Herat

#### 14.3 Key management personnel compensation

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

### 14.4 Other transactions within the Fund

Apart from those details disclosed in note 14.5 and 14.6, key management personnel have not entered in to any other transactions involving the Fund during the financial period.

# 14 Related party disclosure (Contd.)

# 14.5 Related party unit holding transactions and balances

The following are the units held by related parties.

As at 31 March 2022 Unit holders	Relationship	No. of units	Value of units held (Rs.)	Total interest held as a % of NAV
Asia Securities Wealth Management (Pvt) Ltd	Management	2,503,039	27,454,834	0.505%
Dumith Fernando	Chairman	4,126,187.00	45,258,499	0.833%
Mr.Avancka Herat	Director	3,848.08	42,208	0.001%

The following are the units transactions by related parties for the period ended 31 March 2022.

	Relationshi	p Creation	on of units	Redempti	on of units
		No. of unit	s Value	No. of units	Value
Asia Securities Wealth Management (Pvt) Ltd	Management	3,825,701.79	39,800,000	(1,322,662.72)	14,000,000.00
Asia Securities (Pvt) Ltd	Affliate	43,362,479.82	455,000,000	43,362,479.82	(458,295,700.66)
Asia Securities Advisors (Pvt) Ltd	Affliate	1,408,265.58	15,000,000	(1,408,265.58)	(15,237,958.76)
Mr.Dumith Fernando	Chairman	7,387,266.64	7 8,800,000	(3,261,079.25)	(35,000,000.00)
Mr.Avancka Herat	Director	610,879.63	6,200,000	(607,031.54)	(6,400,000.00)

# 14 Related party disclosure (Contd.)

# 14.6 Transactions and balances related to the service provided by related parties

Fees were charged by the management company and trustee for services provided during the period and the balances outstanding related to such services as at period end are as disclosed below:

Charges for the period with related parties	2022 LKR
Management fees by Asia securities Wealth Management (Pvt) Ltd	20,365,302
Trustee fees by Hatton National Bank PLC	6,598,358
Custodian fee by Hatton National Bank PLC	328,793

# Balances with related parties.

Bank balance held at Hatton National Bank PLC as at 31 March	25,000
Money market account balance held at	
Hatton National Bank PLC as at 31 March	11,987,164
Management fees payable to Asia securities Wealth Management (Pvt) Ltd	2,557,319
Trustee fees payable to Hatton National Bank PLC	828,571
Custodian fees payable to Hatton National Bank PLC	22,014

### Please refer to the note 2.9 for terms and conditions

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

	2022 LKR
Net asset value as per financial statements	5,435,138,199
Published net asset value	5,435,138,199
Published number of units as at 31 March	495,515,908.94
Net asset value per unit	10.9686



## **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.

J.

Director Management Company

Director Management Company

ARI)

Authorized Signatories Trustee